

U.S., Allied Talks on Pipeline Show Growing Irritation

By Richard M. Weintraub
Washington Post Service

WASHINGTON — Senior U.S. and allied diplomats have met for the third time in a little more than a week and reported no movement in their effort to hammer out an agreement on East-West trade that could replace the Reagan administration's sanctions against the Soviet gas pipeline.

The unusual sequence of high-

level negotiations is now believed to have narrowed differences over an eventual accord.

On Monday, U.S. and European diplomats did not rule out the possibility that an agreement acceptable to all parties had been reached. But the diplomats said they expected further meetings would be held. None has been scheduled, however.

But Prime Minister Giovanni Spadolini of Italy is to arrive in Washington on Tuesday night to meet with President Ronald Reagan on Wednesday, and Mr. Spadolini's visit would provide the next forum for discussion of the sanctions issue.

On Monday, some European diplomats showed signs of growing irritation.

"We don't know what the U.S. administration needs," one senior European diplomat said before the

meeting. "We do know what we can do, but there isn't much room to limit or change that consensus."

A senior U.S. official said the negotiating process seems to have brought home to the Europeans that the "president is serious" about his sanctions policy. "I think something will happen, but the president doesn't have to be in a hurry," the official said.

The comments appeared to reflect the tenseness of the negotia-

tions that have been carried out under the direction of Undersecretary of State Lawrence S. Eagleburger.

The negotiations have been tightly held by the State Department and have sparked something of a political guerrilla war by some elements within the administration who advocate a hard-line position on trade with the Soviet Union.

Mr. Eagleburger is pictured by diplomatic sources as having

pressed continually for more changes and refinements in the positions put forward by European, Canadian and Japanese diplomats, without indicating what might be acceptable to the administration.

"What we don't want is a trade war," one European diplomat said.

The negotiators appear to be trying to develop defined instructions for a broader study of major issues in East-West trade that could eventually produce a policy to be adopted by Atlantic alliance members and Japan.

The sanctions are applied against businesses that ship U.S.-made or licensed products related to the oil or gas industries. The Italians are known to be particularly upset at the impounding in New York of several key parts for an Algerian gas pipeline.

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Weinberger Promises More Thai Arms Aid

United Press International
BANGKOK — Caspar W. Weinberger, the U.S. defense secretary, arrived here Tuesday to push his campaign to counter what he called a growing Soviet threat in Asia and the Pacific and promised Thailand \$12.2 million in additional military aid.

Before leaving Singapore for a two-day visit to Thailand, Mr. Weinberger reiterated comments by U.S. officials that Soviet military presence in the region "is clearly increasing" and he urged increased military spending by Washington's Asian allies.

General Prem Tinsulanonda, Thailand's prime minister and also defense minister, said that Mr. Weinberger told him during a two-hour luncheon meeting that the United States was increasing its credits for Thai military purchases by \$12.2 million. The increase would bring total U.S. military aid credits to Thailand to \$80 million for the current fiscal year.

Mr. Weinberger is visiting Thailand on the second leg of his five-day Asian tour.

In Singapore, Mr. Weinberger responded to news leaks concerning a five-year Pentagon guidance

plan, saying U.S. planning for a protracted nuclear war came only in response to "erroneous" Soviet beliefs that such a war could be won.

Mr. Weinberger, greeted at Bangkok's Don Muang Airport by Foreign Minister Siddhi Savetsila and other officials, went directly to Government House for talks with General Prem.

In Singapore, Mr. Weinberger was shown "every day from the additions they make to their armed forces and the fact that those additions are almost always offensive in character."

He said U.S. defense tasks were further complicated by the Vietnamese decision to allow Soviet ships "full and complete use" of the U.S.-built naval base at Cam Ranh Bay in southern Vietnam.

Mr. Weinberger suggested that the Pentagon might augment the three aircraft carriers of the U.S. 7th Fleet in the Pacific, saying it was "feasible" for people to expect another (U.S. aircraft) carrier force in this area."

But he said the carrier group, if deployed, would follow flexible orders to move wherever it was most



Casper W. Weinberger, U.S. defense minister, conferred Tuesday in Bangkok with Prime Minister Prem Tinsulanonda.

needed — an apparent reference to Pentagon plans to rush sea power to the Middle East if oil supplies in the Gulf are threatened.

Mr. Weinberger also stressed the need for increased military spend-

U.S. Opens Its Courts to Chinese Suits

By Tamar Lewin
New York Times Service

NEW YORK — The Justice Department has decided that Americans will be allowed to use Chinese courts to press their claims against the Chinese, and as a result has agreed to allow a \$4.4-million Chinese maritime lawsuit in American courts against the U.S. government to proceed.

The case — the first brought in United States courts by Chinese companies since the 1949 revolution — has been used by Washington to help ensure that Americans have access to the Chinese courts.

This legal reciprocity is considered an important element of American-Chinese trade relations. The ability to sue a foreign government is particularly important in communist countries such as China, where most large business entities are arms of the government.

The Justice Department's finding that reciprocity exists, announced Monday, is based both on a two-paragraph legal opinion to that effect by the China Council for the Promotion of International Trade, and a longer affidavit by a Columbia University School of Law professor, R. Randle Edwards, an expert on Chinese law, who also found that there is legal reciprocity. The China council is a quasi-governmental Chinese entity devoted to fostering foreign trade.

"There was a time when assurances of reciprocity couldn't have been made, and that was something that made Americans doing business in China very nervous," said Eugene Thenoux, a Washington-based China-trade lawyer. "This is a very encouraging development in the evolution of China's recognition of the importance of a predictable body of law."

Soviet Officials Visit Laos

The Associated Press
BANGKOK — A delegation of political leaders from the Soviet Army and Navy arrived Monday in Laos, the official Lao-tien press agency said Tuesday.

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Japan Formally to Protest Ban on Whaling

By Steve Lohr
New York Times Service

TOKYO — The Japanese government announced Tuesday that it would file a formal complaint against the International Whaling Commission's decision to end commercial whaling in three years.

A statement by Mr. Sakuruchi, explaining Japan's objection, claimed that there is "no scientific justification" for the commission's ban, countering the view that some whale species are threatened.

The cabinet voted to protest the whaling commission's ban despite a last-minute warning from U.S. officials that filing the objection could prompt considerable criticism of Japan in the U.S. Congress.

Mike Mansfield, the U.S. ambassador to Japan, met Monday with Yoshiro Sakuruchi, the Japanese foreign minister, to express the concerns of the United States, a strong supporter of the commission's decision made last July.

Japan is the world's leading whaling nation, accounting for nearly one-third of the 14,000 whales killed last year. It voted against the commission's decision earlier this year, but nations supporting the ban had hoped that it would delay a formal protest and possibly go along with the commission's position.

If Japan could be persuaded or

pressured into switching its stance, it was considered likely that other opponents of the ban, including the Soviet Union, Peru and Norway, might fall into line.

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The commission decided by a vote of 25-7 to halt commercial whaling in three years, and then take another five years for scientific research to decide whether whaling should be started again.

Government officials stressed that filing the complaint does not necessarily mean that Japan will defy the commission's decision, but gives it the right to do so. Apparently, Japan hopes that further research over the next three years will support its position that limiting killing of whales is not a threat to the species.

The whaling commission cannot force nations to abide by its decision. However, under U.S. law, a nation that ignores the commission decision can be prohibited from fishing in coastal waters up to 200 miles (320 kilometers) from the American shoreline.

Japan's fishing industry catches more than 1.1 million tons of fish, about 5,360 million, each year in U.S. coastal waters. For comparison, the Japanese whaling

industry is about a \$50 million-a-year business.

Also, Congress is now considering ratification of the U.S.-Japanese fishing agreement, which limits the quantity of fish their boats can catch in each other's waters. Presumably, an adverse reaction to the whaling protest could hurt chances of ratification.

■ Norway to Keep Hunting

Norway will continue to hunt whales in the northeastern Atlantic after 1986, despite the whaling commission's ban on commercial whaling. Fisheries Minister Thor Listan said Tuesday, according to Reuters.

3 Western Envoy Plan Boycott of Soviet Parade

United Press International

MOSCOW — Ambassadors of the United States, Britain and West Germany will boycott the Revolution Day parade Nov. 7 for the third year in a row to protest the Soviet intervention in Afghanistan.

The U.S. ambassador, Arthur Hartman, and his West German and British colleagues will send lower-ranking representatives to the 65th anniversary celebrations of the Bolshevik Revolution, embassy spokesman said Monday. Scandinavian ambassadors, who boycotted last year, will attend this year's celebrations.

Soviet Officials Visit Laos

The Associated Press

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King Vidor, U.S. Movie Director, Dies at 88

By Peter B. Flint
New York Times Service

NEW YORK — King Vidor, 88, the motion picture director, died Monday of a heart ailment at his ranch in Paso Robles, California.

He was a trailblazer and often a rebel, widely respected for his independence, individualism and humanism in a notable directorial career that spanned more than 50 feature movies over 40 years.

His hits ranged from "The Big Parade" in 1925 and "The Champ" in 1931 to "The Citadel" in 1938 and "Duel in the Sun" in 1946.

Besides making many commercial movies, Mr. Vidor defied Hollywood conventions by tackling projects regarded as financial flubs.

"The Crowd," his 1928 silent masterpiece realistically depicting average people, was first dismissed by Hollywood censors as an "artist's flop" but eventually it showed a profit.

He fought to make "Hallelujah," an innovative 1929 musical-drama with an all-black cast, matching Metro-Goldwyn-Mayer's investment with his own salary. In "Our Daily Bread" in 1934, he depicted the plight of the Depression's unemployed, financing the picture by mortgaging his house and selling everything he could.

He also challenged accepted Hollywood wisdom in affirming

that "no subject is over the heads of an audience if it is told simply, clearly and sincerely."

In 1939, he won a special Oscar from the Academy of Motion Picture Arts and Sciences for achievements over four decades. He had received many other awards and had been nominated for directorial Oscars five times, for "The Crowd," "Hallelujah," "The Champ," "The Citadel" and "War and Peace," but each time the house or had ended him.

King Willis Vidor, whose paternal grandfather immigrated from Hungary, was born in Galveston, Texas, on Feb. 8, 1894, the son of Charles Shelton Vidor, a prosperous lumberman, and the former Kate Willis.

While at Galveston High School, he got a summer job as a ticket taker in the town's first movie theater, working for 12 hours a day for \$3.50 a week and running the projector while the operator had meals.

In 1915, he set out for California. He did many stints as an extra and wrote 52 scenarios before he sold one for \$30. He worked as a movie company clerk, a comedy writer, made a dozen two-reelers and, in 1919, directed his first feature, "The Tuna in the Road," a sermonizing but well-received movie reflecting his Christian Sci-



King Vidor

ence belief.

The movie led to a studio contract, and Mr. Vidor adapted, produced and directed "The Jack Knife Man," a pastoral tale about an itinerant boorman on the Mississippi River. His other popular films included "Peg of My Heart," starring Laurette Taylor.

"The Big Parade" was not only an eloquent paean in peace but also a commercial blockbuster.

The film grossed more than \$15 million in a few years, was pivotal in establishing M-G-M as a major

studio and made John Gilbert a star.

Mr. Vidor's scores of credits included "La Bohème" (1926), "Street Scene" (1931), "The Wedding Night" (1935), "The Texan Rangers" (1936), "Stella Dallas" (1937), "Northwest Passage" (1940), "H.M. Pulham, Esq." (1941), "An American Romance" (1944), "The Fountainhead" (1949) and "Ruby Gentry" (1952).

He won many awards at film festivals and from such groups as the Christophers and the Screen Directors Guild, which announced in 1950 the results of a poll of film critics, who listed "The Big Parade" and "The Crowd" among the 10 best directorial achievements of the previous half century.

He was married and divorced three times, to Florence (Ato) Vidor and Eleanor Boardman, both actresses, and to Elizabeth Hill, a scriptwriter.

■ **Other deaths:**
Henry Thaddeus (Dick) Merle, 88, who won the Harmon Trophy for piloting the first commercial flight across the Atlantic, in 1937, Sunday in the town of Lake Elsinore, California.

John Fred (Sheriff) Blaik, 83, who played professional baseball for two decades and had a record of 17 wins and 11 losses with the Chicago Cubs in 1928, Sunday in Beckley, West Virginia.

The other groups that settled here — the Ukrainians, Germans, Jews and Italians — more or less knew what kind of society they were coming to. There was a trade-off in terms of the social contract and they were not seeking to recreate their homelands, though obviously they want to protect their cultures. This was not the case with us or the native peoples. We were here as a nation before there was a Manitoba. I suppose we are a defeated nation, but we are entitled to our historic rights.

Mrs. Proteau, who remembers going to school during and after World War II when all instruction in French in Manitoba schools was illegal, hopes that the recent legal victories will restore self-confidence to a community that has grown frail over each year.

"We are struggling in the battle with assimilation," said Lucienne Loiselle, head of the Franco-Manitoban Cultural Center.

The French-speaking community in Manitoba, the largest concentration in Western Canada, is declining, Mrs. Loiselle said. Ten years ago, there were 86,000 people here of French origin, but only 60,000 claimed French as their mother tongue and only 40,000 reported speaking mostly French at home.

Ethnic French Give Manitoba a Language Test

Court Challenge Threatens to Invalidate Every Law in the Province

By Michael T. Kaufman
New York Times Service

and to provide simultaneous translations for official and court proceedings.

While gratified by the victory, leaders of the French minority are rallying behind a second case, which they believe can extend their gains from the chambers of government to communities that until quite recently preserved their language through illegal and clandestine time classes.

This case, now pending before Canada's Supreme Court, involves a speeding ticket issued to Roger Bilodeau, a lawyer, who by refusing to pay has broadened the legal challenge raised by Mr. Forest. Essentially, the first case centered on a claim that a law passed in 1890 establishing English as the sole official language illegally contravened the legislation that established Manitoba and which gave official status to French. In its decision, the Canadian Supreme Court upheld the supremacy of the earlier.

The focus of the Bilodeau case, however, is the province's motor vehicle act and, by implication, every other law enacted here since 1890 and published solely in English.

Fearful of the legal chaos that would result if Mr. Bilodeau's po-

sition were affirmed, the provincial government asked the court last Friday to suspend its deliberations while officials seek a negotiated compromise with the French-speaking group.

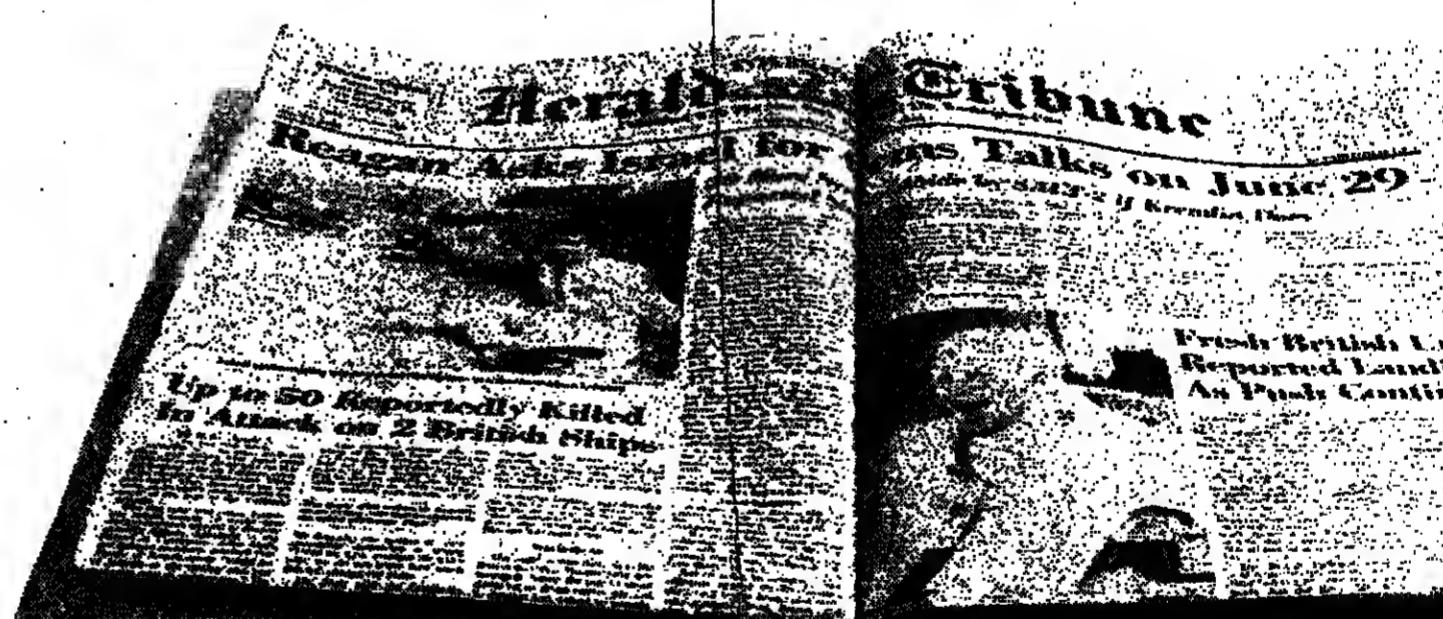
Mr. Bilodeau and the major groups in his community have joined in the request for an adjournment and have indicated they really want more assurances for the future use of French rather than a rewriting of past laws.

Premier Howard Pawley said in an interview that the "looming consequences of a Supreme Court decision would be momentous, invalidating all our laws, and forcing them to be re-enacted." He added, however, that the French-speaking community was being very reasonable and that it was not holding the government to ransom but was merely seeking its legal rights.

In the St. Boniface district, where the French speakers have lived for five, six and seven generations, the issue is seen in social rather than legalistic terms.

"What all this means is that we want it established that we are not just another so-called ethnic group," said Gilberte Proteau, former president of the Society of Franco-Manitobans, a community development agency.

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Gravest Atomic Plant Accident Could Kill More Than 100,000, U.S. Study Says

By Milton R. Benjamin

Washington Post Service

WASHINGTON — A U.S. government study of the potential consequences of accidents at atomic power plants has concluded that the worst-case death toll could exceed 100,000 and damage could top \$300 billion at certain locations, according to documents made available to The Washington Post.

The new estimates come from a study conducted for the Nuclear Regulatory Commission by Sandia National Laboratories and greatly surpass the worst-case estimate of 3,300 deaths within a year of the accident and \$14 billion in proper-

ty damage contained in the commission's last safety study, issued in 1975.

A sophisticated computer model, called CRAC1, used what is said to be the most comprehensive meteorological, demographic and economic data ever assembled to calculate for the first time, a wide variety of possible accident consequences. The data was compiled for each of the 80 sites in the United States where atomic power plants are operating or are under construction.

In the worst-case scenario postulated in the study is based on what the commission calls a Group 1 accident, one involving severe nuclear

core damage, melting of uranium fuel, essential failure of all safety systems and major breach of the reactor's containment resulting in a large release of radioactivity into the atmosphere.

The NRC staff has estimated the probability of such an accident — which would be far more severe than the nation's most serious accident at the Three Mile Island plant near Harrisburg, Pennsylvania in 1979 — as one in 100,000 reactor years.

Given the number of atomic power plants operating or planned, this would mean there is approximately a 2 percent chance of such

an accident occurring in the United States before the year 2000.

Even if such an accident occurred, the computer model determined several weather and evacuation scenarios that could result in death and damage tolls far lower than the worst-case estimate.

For such an accident to produce the worst-case death and damage toll calculated by the computer study, the draft report said, a Group 1 accident generally would have to be followed by a "rainout of the radioactive plume," or cloud, "onto a population center." The report termed that combination of events improbable.

Nevertheless, many experts view the commission's efforts to estimate the probability of accidents, particularly when dealing with complex facilities such as nuclear reactors, as inexact at best. Several members of the panel's Advisory Committee on Reactor Safeguards recently called use of such a system to predict likelihood of a core meltdown as a "sham."

The computer study found that the highest death toll would occur if the worst-case accident took place at the Salem, New Jersey, nuclear power plant on the Delaware River. Such an accident, according to the study, could result

in 102,000 "early" deaths, within a year of the accident.

The area in which deaths would occur from a worst-case accident at the Salem plant, according to the study, could include Wilmington, Delaware, 20 miles (32 kilometers) north of New York City on the Hudson River. Such an accident, the study found, could result in \$314 billion in damage.

The area in which early deaths would occur, the study found, would extend 17.5 miles from Indian Point, but radiation-related injuries could occur within a 50-mile radius of the reactor.

More than 17 million people live within 50 miles of the Indian Point plant. As many as 56,600 early deaths could occur in a worst-case accident at that reactor, the study found.

While the draft report on the commission's study notes that it examined the possibility of worst-case accidents and accidents of lesser magnitude that occurred under weather conditions that diminished the consequences, the version obtained by The Post does not contain the worst-case figures.

The NRC is expected to release this version.

Representative Edward J. Markey, a Massachusetts Democrat who heads the House Interior and Insular Affairs subcommittee on oversight and investigations, obtained the full results and a companion report on the financial consequences of nuclear accidents. Mr. Markey made this information available to The Post.

The study demonstrated for the first time how greatly the consequences of an accident could vary depending on wind, rain, emergency response planning and population distribution around existing plants.

The most important factor in determining the toll from a nuclear

accident, the draft report makes clear, is whether people living around the plant are clustered in towns and whether the plant is within 25 miles of a major city.

"Irrespective of size, population centers beyond 25 miles do not contribute to early fatalities," the report said. In some cases, it said, the maximum distance from the plant at which there would be early fatalities might be as little as 13 miles, depending on meteorological conditions.

The report said that, if there are towns or cities 10 to 20 miles from atomic plants, the number of early fatalities in a worst-case accident might increase substantially and that the number of deaths even under more favorable conditions

could be twice as high as it would be if the population were more spread out.

A second major finding, according to the study, was that summary evacuation of residents from within a 10-mile radius of atomic plants could significantly reduce the number of early deaths resulting from most accidents.

However, current evacuation plans may not appreciably affect early death toll estimates for most worst-case accidents, the report said, since these involve "rainout of radioactivity from the plume onto cities located more than 10 miles from the reactor" and federal laws now require evacuation zones of only 10 miles around each reactor site.

Maker, Operator Trade Accusations As Three Mile Island Trial Opens

By Frank J. Prial

New York Times Service

NEW YORK — Attorneys for the builder of the reactor damaged in the accident in 1979 at the Three Mile Island nuclear plant in Pennsylvania and the plant's operator traded accusations Monday about which was to blame for the nation's worst commercial nuclear accident.

Robert B. Fiske Jr., an attorney for Babcock & Wilcox, which built the reactor, accused the plant's operator, the General Public Utilities Corp., of "indulging in recklessness" and of "deliberate and willful misconduct."

His remarks came in the opening day of a nonjury trial in Federal District Court here to determine responsibility for the billion-dollar accident. The suit was filed by the utility company, which contends that Babcock & Wilcox is to blame and is seeking \$4 billion in damages.

David Klingsberg, representing General Public Utilities, asserted that the manufacturer had failed to update emergency operational procedures for its reactors nationwide, which he called "a frightening episode of corporate misconduct."

In his response, Mr. Fiske described what he called a "pervasive pattern of appalling indifference on the part of General Public Utilities management," and accused the company of falsifying reports about steam leakage in the reactor system for several weeks before the accident because it feared losing money if the reactor was shut down.

He said the company's reactor operators "didn't have even a fundamental understanding of how a nuclear reactor works."

Each side accused the other of having made or covered up serious errors related to the accident in an effort to save money. Mr. Fiske said the utility should have shut down the No. 2 reactor, which was later destroyed in the accident, to repair the leaking valves. He said they filed false reports on the leak-



Aerial view of the Three Mile Island nuclear power plant.

age because the reactor's twin was closed for repairs. Having both closed would have cost the company as much as \$500,000 a day, he said.

Mr. Klingsberg accused Babcock & Wilcox of withholding vital information from General Public Utilities and the operators of other Babcock-built reactors because it might have caused several of the reactors to be shut down.

A key contention by Mr. Klingsberg is that the accident at Three Mile Island, which involved a partial uncovering of the reactor core leading to the release of dangerous amounts of radioactivity, was entirely the fault of Babcock because the company had neglected to inform their clients that their own

engineers had encountered an almost identical emergency a year and a half earlier and had devised ways to prevent it.

■ **High Court to Rule on Stress**

The Supreme Court agreed Monday to decide whether "psychological stress" on the community is one of the factors that the Nuclear Regulatory Commission must weigh before deciding whether to permit the Metropolitan Edison Co. to restart the damaged No. 1 unit at its Three Mile Island nuclear power plant. The New York Times reported from Washington.

The No. 1 unit has been shut down since before its twin No. 2 reactor was damaged.

U.S. Boycott Over Anti-Israel Vote Threatens Atomic Energy Group

By Don Cook

Los Angeles Times Service

VIENNA — For 25 years, ever since its creation under President Eisenhower's Atoms for Peace initiative, the International Atomic Energy Agency has been something of a favorite child of the United States. But today it is something of an orphan, its future in doubt.

The United States walked out of the agency's annual general conference Sept. 24 when the membership voted to refuse the credentials of Israel, a member of the agency from the outset.

Washington then announced that it would withhold the \$8.5 million still to be paid toward its 1982 budget contribution to the agency, and the Reagan administration has since announced that it will review its future relations with the agency.

"Obviously," a high State Department official said the other day, "a reappraisal of an agency that plays such an important role in U.S. nonproliferation policy, with its international nuclear inspection and safeguard system, an agency that we were instrumental in establishing in the first place, is a very serious matter."

Other diplomats in Vienna, where the agency is situated, say that if the U.S. boycott lasts for a considerable length of time — as was the case of the two-year American withdrawal from the International Labor Organization, when Jimmy Carter was president — then it will be difficult for the agency to survive.

There is real concern that the Israeli issue, coupled with the Reagan administration's hard-line foreign policy, could prolong the walkout and cause irreparable damage to the agency which was founded as a technical

body to assist in efforts to make the benefits of peaceful nuclear energy available to all under safeguards which would assure the world as to the peaceful use of that energy. Instead, it has become a forum for debating political issues. This pattern of abusing the UN system to carry on political vendettas is corrosively dangerous. The politicization of specialized international organizations such as IAEA must cease."

An independent observer in Vienna commented the other day: "The Americans in a way really created the problem for themselves when they began urging Third World nations to join the IAEA, even though their practical interest in nuclear reactors might be nil. There was a tacit bargain implied. If developing countries would join IAEA, sign the nonproliferation treaty and guarantee to place any nuclear installations under IAEA controls, then the door would be open to nuclear technical assistance."

"This was perfectly laudable and understandable, but it was also inevitable that Third World countries would bring with them their own demands and political attitudes toward how the agency was run by the 'big boys' of the industrial world."

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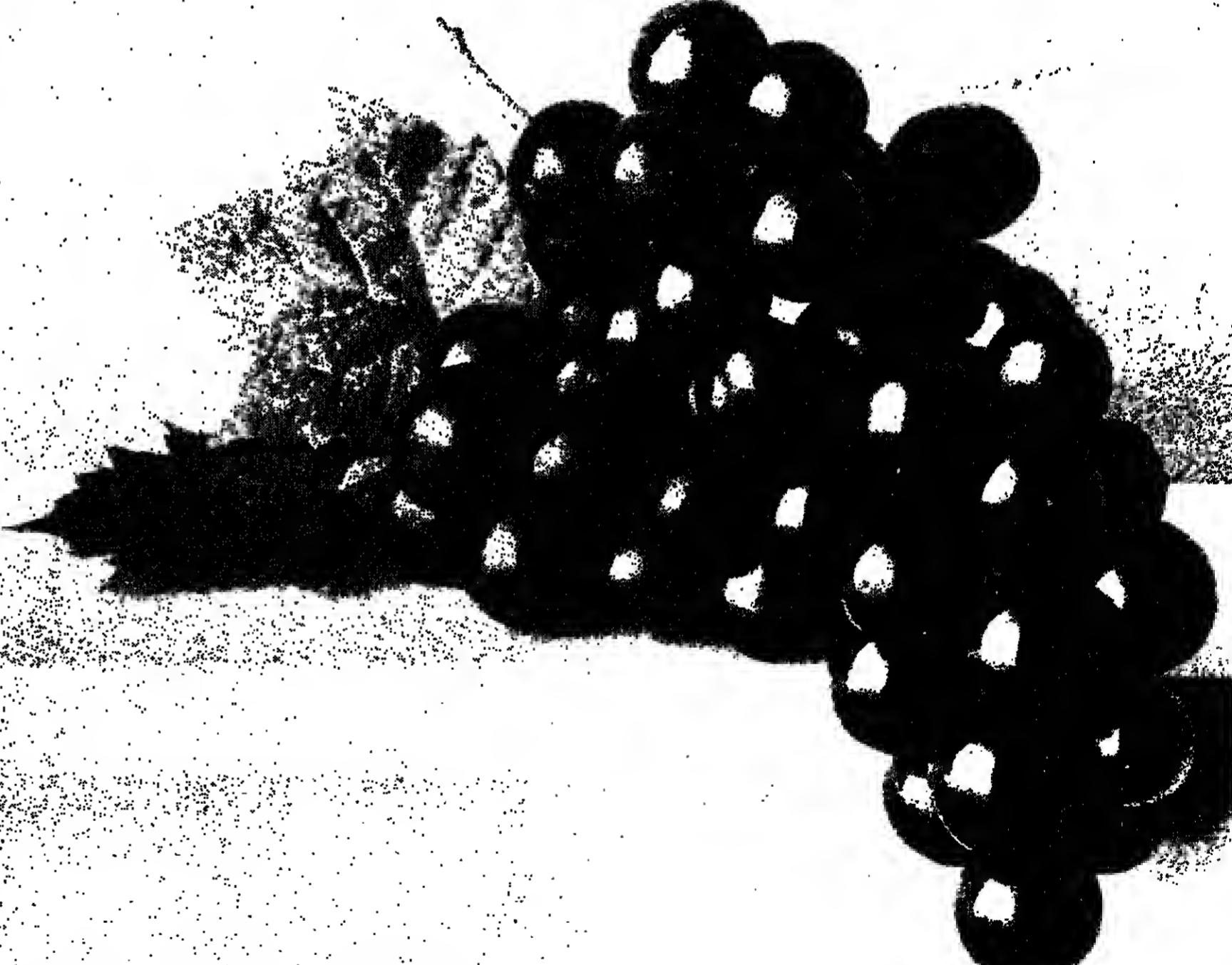
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INTERNATIONAL Herald Tribune

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Apartheid and the IMF

With its continued commitment to apartheid, South Africa makes itself a tempting target for pressure from groups offended by official racism. Thus its application for a loan from the International Monetary Fund has stirred objections at the United Nations and in the U.S. Congress. Rejection of the loan on political grounds would mean that the fund could no longer serve its global purpose — to help any member in trouble. Approval with proper strings attached could help lift the shroud of South African injustice.

The purpose of the IMF is to help member countries when they have balance-of-payments problems. Together the monetary fund and a would-be borrower identify the sources of the problem, and the fund prescribes steps required to correct it. Politics and social issues are theoretically ignored, although it would be naive to deny that they are integral to any country's economy.

South Africa's immediate problem is not unusual: Export earnings have collapsed, inflation rages and the economy is stagnating. The price of gold, the principal export, has plunged from more than \$800 an ounce two years ago to the mid-\$400s today. Prices are also weaker for other exports, including diamonds and sugar. The corn crop was poor.

As a member in good standing, South Africa is entitled to draw on the fund. The proposed borrowing would be \$1.1 billion. Approval for two-thirds of the amount, because of the drop in export earnings, is virtually automatic. The IMF imposes no conditions on such loans, on the assumption that the situation will correct itself. But the other one-third, traceable to internal mismanagement, is subject to normal IMF scrutiny.

— THE NEW YORK TIMES.

Pressuring El Salvador

A terrible war continues in El Salvador, but peace is in the air. Earlier this fall the outlook was bullish. More recently it has been the other way. What is going on?

The struggle in El Salvador may have entered its next-to-last stage. The last stage, if it comes, will require government and guerrillas to try to reconcile their differences. Meanwhile, both sides must sort themselves out. There is some evidence that the guerrillas have been trying to position themselves for a political settlement. Just such an effort is now apparent on the government side.

A struggle for power is being waged between the leading government elements, both of them military. One, led by Defense Minister José Guillermo García, accepts reform and some kind of "dialogue" with the left. The other, led by Roberto D'Aubuisson, president of the constituent assembly, represents the feudal right and opposes any reaching out to the left. The two between them has been especially active in recent months.

It is a Salvadoran argument, but inevitably the United States is part of it by virtue of the commitment two administrations have made to democratic reform and anti-communism. In the Reagan period it has sometimes seemed to Salvadorans that the United States

— THE WASHINGTON POST.

Other Opinion

In India, the 'Developed Man'

One of the main objectives of government schemes is to encourage self-reliance, [but] nothing frightens the vested interests in the villages more than when they see what we might call the Developed Man. He is the person who answers back, asks difficult questions and points out the flaws in the system.

What has to be faced is that every loan, hand pump, pre-primary school, adult education center and dispensary that the government helps bring to the community has political implications. You cannot help the poor without involving them in their development. Their involvement changes their attitudes to how they are governed. Those who claim that you can have development without changing the attitudes of the poor do not know what they are talking about.

Although he has never been to school, he is living proof of how rural development can work. But if he passes the village headman he is not likely to get off his bike, as a member of a lower caste is supposed to; nor will he sit on the floor when discussing a problem with members of a higher caste.

These may seem like small acts of defiance, but they take great courage because the dominant minority in the village will go to extraordinary lengths to stifle signs of self-reliance in their inferiors. If a widow builds a toilet next to her house, this, too, will be treated as an act of defiance, and pressure will be put on her to close it down immediately. The headman and other respected village families do not have a toilet, but use the members of a higher caste.

The dilemma for people working in rural development is not whether or not development must also mean changing the political attitudes of those who benefit from it. The dilemma, and it is not one that should concern only the development worker, is where to draw the line and who should draw it.

— Bunker Roy, a rural development worker in India, writing in *The Guardian* (London).

Risking to Send Reagan

A Republican speaker unwittingly underlined the irrelevance of Ronald Reagan's 1982 midterm campaigning when he told a rally that the president's overnight visit in Las Vegas was a boon to the recession-crippled tourist industry. Mr. Reagan had not traversed the continent to plug the fantasy town's entertainment lures, but it was not clear to Nevada Republicans just why he visited them for the second time in three weeks. In fact, the president was jet-setting the Rocky Mountain West in his final two days of 1982 campaigning because his advisers could find no other states where he was welcome and where they would risk sending him.

— Syndicated columnists Rowland Evans and Robert Novak (Washington).

NOV. 3: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Interest in the Kaiser

LONDON — Lloyds Weekly News editorial remarks that exceptional interest attaches to the forthcoming visit of the kaiser. "Though the policy of that remarkable sovereign has seemed at times to be directly antagonistic to British aims, the English people have never forgotten the devotion to his grandmother Queen Victoria, and the buried visit he paid her bedside when she lay dying. His own strenuous and potent personality also impresses them. They have further the belief that his journey to our shores at the present time indicates the beginning of a complete understanding between the British and German Empires, and is an assurance of peaceful and mutually helpful relationship."

The tragedy of India's rural development

1932: Jobless Riot in London

LONDON — Although an organized march of the unemployed on the Houses of Parliament was broken up by police action, rioting broke out in central London. Many windows were broken and heads cracked and several arrests made, but the disturbances were sporadic and undirected. The disturbing element was composed largely of youths from the London slums, whose tactics consisted of harassing the police but seldom of engaging in stand-up fights. Out-of-town hunger marchers were conspicuous by their absence. Authorities struck at the central direction of the unemployed movement by arresting its head, Wal Hannington, charging him with trying to cause disaffection among the police.

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A Historian of Imperial Decline Looks at America

By Paul Kennedy

NORWICH, England — The philosopher George Santayana observed many years ago that those who do not know the past are condemned to relive it.

He did not, of course, mean that history repeats itself in exactly the same form as a chemistry experiment can be repeated. Between one age and the next, the people, places and events change. But he did mean that those who had no knowledge of past follies and disasters would have little way of appreciating how to avoid future calamities. And he implied that if politicians and their publics had no idea of the contours of history, and of the larger factors that influence change, they would be ill-equipped to handle current problems.

Santayana's view is clearly not shared by the administration of President Ronald Reagan — any more than by those that preceded it.

During the great debate that has been taking place about America's relative economic and military decline since the 1960s, the historical dimension has been seriously neglected. Neither Mr. Reagan's belief in "the American way of life" nor Jimmy Carter's pursuit of idealistic but flawed policies, nor the array of economic theories and political programs suggested by right and left has shown awareness that the problems of the United States are the sort that earlier great powers also faced.

The historian of world empires, looking at the current floundering in external and internal affairs, is strongly tempted to say, "We have seen it all before."

It may seem curious to charge recent U.S. presidents and their staffs with lacking a sense of history. All have been aware of their country's heritage, national heroes and strategies, contributions to world society, culture and democracy. Their very existence in the White House reeks of historical consciousness.

Yet such a background actually hinders an objective analysis of the present U.S. dilemma. The formative years of Presidents Reagan,

Carter, Ford, Nixon, Johnson and Kennedy were those of World War II when the United States, throbbing with patriotism and industrial productivity, burst through to become the greatest power on this planet. So it has been psychologically impossible for such politicians in later life to handle the awkward question: "What do we do, as the first generation to have managed America's relative decline?"

It is most comforting to assert that the country will recover, provided it returns to those God-given precepts of hard work, low taxes, reduced government social spending and en-

vironmental regulation.

But to begin with, let us admit that the steady rise of America to world power was probably due much less to the Protestant ethic of hard work and clean living than to a cluster of favorable geographical and technical factors.

Protected by the Atlantic Ocean — and the Royal Navy — from serious external threat,

America could divert its energies from swords

to ploughshares throughout most of the 19th century. Rich in raw materials and food, but relatively sparse in population, it could only exploit its resources by introducing labor-intensive machinery, and this gave its entrepreneurs an unforeseen advantage over foreign rivals.

While it held aloof from Europe's political quarrels, America benefited from an enormous two-way economic relationship: sending out vast supplies of cotton, wheat, timber, beef and (later) machinery, and importing early European technology (especially the railway) and large sums of capital to further its industrialization. America did not grow up in a vacuum.

The two world wars accelerated two trends. They weakened the economies of Europe by diverting too much of their limited resources into armaments; and they harnessed the still-unexploited potential of the North American continent for military purposes.

After 1945 the United States found itself in a remarkable position. It possessed more than

trades than about Europe. It is not that the French and the Germans have a special gift for forgetting the past, whereas the Sunnis and Shiites cannot forget grudges from 12 centuries ago. Few foreign correspondents and fewer Western readers are aware that the history of Asia is also a many-headed hydra, and that the history of Europe, to justify almost anything.

That is why the Iran-Iraq conflict is more likely to be explained in terms of Shi'a-Sunni conflict than as the ideological, economic and territorial dispute that it is, whereas the French-German conflict is explained, say, in terms of European Community agricultural policy, without recourse to the memory of two world wars.

By linking their news to ancient events, journalists hope to transcend the limitations of their craft, much like new immigrants who construct elaborate family trees to enoble their ancestry.

Perhaps it will be better for all concerned when the next war comes around if journalists confine themselves to telling us who is selling the arms to the antagonists, what the ideological differences between them are and what economic issues are at stake.

Narayanan Balakrishnan writes for *The Singapore Monitor*.

Is History a News Source?

No, Playing Historian Is Not the Journalist's Job

By Narayanan Balakrishnan

SINGAPORE — Every profes-

sion has its temptations. In journalism the temptation is to play historian.

It's 1979, and Iraq is invading Iran. Remind your readers (as a New York Times writer did) that the Arab aim has always been to subdue the Persians since the victory of the Arabs in the battle of Qadisiya in A.D. 637. James Reston branded the war as one of the "ancient struggles."

Next Iran is invading Iraq. So, tell your readers (as The Economist did in its July 14 issue) that it is the revenge for Karbala. The magazine tells us that "the historic tragedy of Shi'a Islam was the massacre in A.D. 680 of the forces of Hussein, the prophet's grandson, at Karbala, 50 miles south of Baghdad. Iran's Shiites are now getting their chance at revenge."

There is hardly a current war that has not been "historically" explained. You may think that Chico and Vietnam have been fighting only in the past three years, but journalists will quickly correct you and point out that Vietnamese kings have been fighting the Middle Kingdom for about 1,000 years.

The superficial reader may think that the Chinese-Soviet conflict is ideological, or a border dispute, but seasoned foreign correspondents will tell you the men in

the Kremlin are still haunted by memories of Genghis Khan and the invading "yellow hordes."

A closer look shows that many "historical" parallels are shaky.

Vietnam and China may, in fact, have fought each other 1,000 years ago, but it is also a fact that the Chinese and the Vietnamese together were fighting the Americans much more recently. The Soviet Union and China may be enemies now, but they were allies for a decade in the '50s. Russian memories of pillaging "yellow hordes" notwithstanding.

There are few neighboring countries that have not fought each other within the past few centuries. But historical memories are not so deep that one-time enemies are doomed to fight each other to eternity. It is doubtful whether actual memories of war last more than a generation. In any event, there are too many cases of reconciliation between nations who used to be bitter enemies for us to believe in the historical determinism of old wars.

Of course, the protagonists of modern wars themselves raid history for justifications for their actions. Teheran radio announces that the "sons of Khomeini have now gone to the front with the intention of occupying Karbala."

It is no accident that historical generalizations are made more often about the developing coun-

tries than about Europe. It is not that the French and the Germans have a special gift for forgetting the past, whereas the Sunnis and Shiites cannot forget grudges from 12 centuries ago. Few foreign correspondents and fewer Western readers are aware that the history of Asia is also a many-headed hydra, and that the history of Europe, to justify almost anything.

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Narayanan Balakrishnan writes for *The Singapore Monitor*.

Yes, Cracking History's Codes Is Good Journalism

By Edwin M. Yoder

WASHINGTON — Narayanan Balakrishnan complains about the sullen historical "explanations" that journalists have offered for recent violent eruptions. He charges, with some justice, that we are so light-headed as to be easily flattered by the thought that journalism is "one current phrase."

He is right. His coldbloodedness is still "betraying" his Marxist kinship in China for the sake of the wartime alliance with the United States, Chiang's principal patron. Since the leaders of the Chinese revolution have long and exacting memories, they doubtless recalled Stalin's disloyalty, even in the brief period of solidarity in the 1930s. In that light, the schism

soon followed should have come as no great surprise.

Few turbulent struggles on Earth today are not rooted in the past. From Northern Ireland to Lebanon, vectors of historical force play on those struggles. It is neither good journalism nor good history to forget it.

How is one to explain that the French and the Germans are now allies against Moscow? That is the wrong question. Better to ask how old enemies became new friends — but the answer is the same. It is precisely the strength of historical awareness — in journalism or politics. Even when they are unconscious of it, nations possess a historical coding. The task of journalists is to break the code, not to pretend it isn't there.

The Washington Post

— The European community. Historical memories do not always move men negatively.

In any event, good historians

know that those memories, the bloodstream of events, are always thicker than the watery ideologies and doctrines in terms of which unhistorical people interpret the world and its conflicts.

Mr. Balakrishnan's argument, superficially plausible and entertaining, is shallow beneath. That journalists sometimes embellish poor reporting with bad history is no argument against historical awareness — in journalism or politics.

Even when they are unconscious of it, nations possess a historical coding. The task of journalists is to break the code, not to pretend it isn't there.

In several states I visited, notably California and Illinois, debates were sharpened by eliminating the panel of reporters and letting the candidates question each other directly. It is better theater than a lecture hall and a fear of flying.

The pursuit of the golden dream impelled Sen. Edward M. Kennedy of Massachusetts to read nursery rhymes in a Chicago play school and Sen. John Glenn to ride down the sweltering streets of Sylvester, Georgia, as grand marshal of the Peanut Festival Parade.

This is a kind of insane drill to which America subjects the presidential hopefuls. But in theory, at least, they can use the off-year campaign to hone their skills and prepare for the rigorous tests still to come.

There are two or three lessons to be learned from the 1982 campaign that may be useful for 1984. This year, once again, demonstrated the value of debates as a forum for exposing the candidates' positions and personalities. I was particularly impressed with the series of weekly Monday night debates, carried on public television, in the Connecticut Senate

race, each lasting an hour and focusing on a particular policy area.

As the presidential candidates make their formal announcements, we in the press ought to try to get them committed to taking part in such a series of debates as long as they are in the race, and particularly if they make it to the general election.

We should not go through the

INSIGHTS

Halley's Comet: The Long Hello Begins

By John Noble Wilford

New York Times Service

NEW YORK — Some photons traversing more than a billion miles of space arrived at the Earth a few weeks ago, bearing a message long awaited.

Those particles of radiant energy, from sunlight reflected off a vagabond chunk of dirty ice, registered a faint impression on a silicon-chip sensor near the base of the great 200-inch (508-centimeter) telescope on Mount Palomar in California.

Astronomers saw the speck of recorded light and recognized its meaning. The most celebrated comet is now back in view, Halley's comet.

The sighting set in motion plans long laid for one of the most intensive investigations of a heavenly object in the history of astronomy.

Large telescopes around the world are being focused on the comet, now out beyond the orbit of Saturn.

More and more telescopes will join the watch as the comet draws closer, and beginning in late 1984 a multinational fleet of spacecraft will be going forth to get an even better look. Sounding rockets, high-altitude aircraft and balloons are also to be readied for deployment when the comet makes its closest approach to the Earth and the sun, in the winter and spring of 1985-86.

Over the next five years, scientists are expecting to make enormous advances in their understanding of comets, those swift and sometimes dazzling wanderers of solar space that have long fascinated and mystified mankind.

Perhaps, since comets are thought to be among the most primitive bodies in the solar system, scientists will gain from the visitation of Halley's comet a better understanding of the conditions of 4.5 billion years ago out of which the sun and its family of planets emerged.

Halley's comet is an irresistible object of attraction. Its regular traveling habits and brilliant showmanship appeal to scientists. They can plan their investigations, particularly the

greeting party of spacecraft, with a high degree of precision because the comet's course is well known after so many appearances recorded in the last 2,200 years.

The comet was named for Edmund Halley, an English astronomer who in 1705 calculated comet orbits and predicted that a comet seen in 1682 would reappear in 1758, which it did. It has been coming back every 76 years or so.

It will be a long time before the comet's current approach will be visible to the unaided eye, or through less-sensitive telescopes. Even then, astronomers say, the comet will not be as impressive a sight as in 1910.

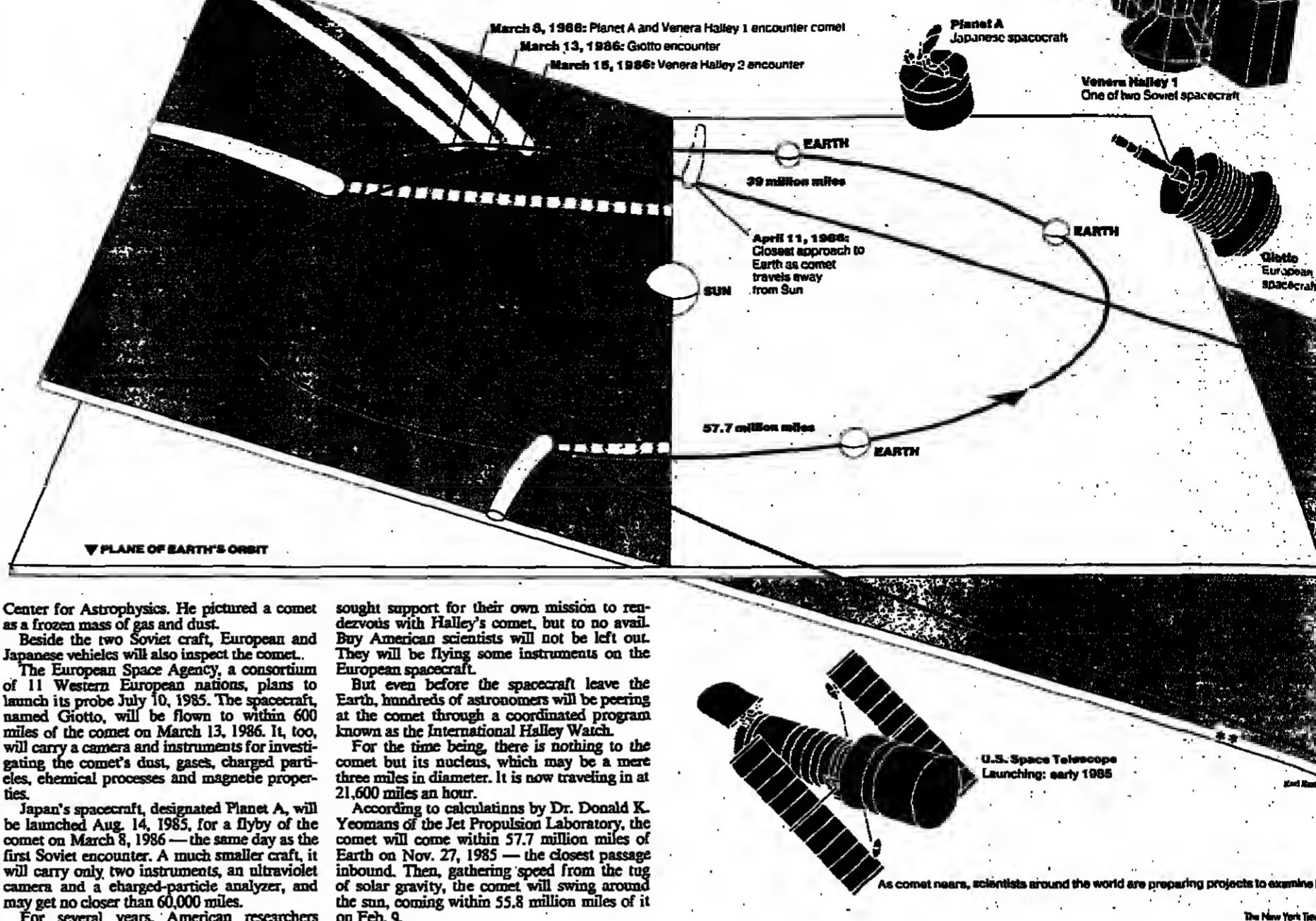
Because the Earth's position relative to the comet's path will be different this time, the comet will be on the other side of the sun when its tail reaches its maximum length of perhaps 50 million miles (80 million kilometers). The best times for ordinary viewers to get a glimpse will probably be in November and December of 1985 and again in March and early April of 1986.

But scientists are confident that recent technology will more than compensate for the inferior viewing circumstances. This time, moreover, scientists intend to meet the comet more than halfway, so to speak, in an effort to learn more of its composition. They are sending out four spacecraft, especially designed to study the comet.

The Soviet Union, in partnership with France, has the most ambitious plans. Two spacecraft, Venera Halley 1 and 2, are to be launched in December 1984 and fly by Venus. This had been the mission's sole objective until a French scientist suggested redirecting it to encounter the comet.

The encounters are now scheduled for March 8 and March 15 in 1986. The two craft should come within 6,000 miles of the comet's solid nucleus and spend several hours taking pictures and gathering other data.

The encounter will provide a key test of the "dirty snowball" model, proposed in 1951 by Fred L. Whipple of the Harvard-Smithsonian



Halley's comet as it streaked across the heavens in 1910.

Yerkes Observatory

Center for Astrophysics. He pictured a comet as a frozen mass of gas and dust.

Beside the two Soviet craft, European and Japanese vehicles will also inspect the comet.

The European Space Agency, a consortium of 11 Western European nations, plans to launch its probe July 10, 1985. The spacecraft, named Giotto, will be flown to within 600 miles of the comet on March 13, 1986. It, too,

will carry a camera and instruments for investigating the comet's dust, gases, charged particles, chemical processes and magnetic properties.

Japan's spacecraft, designated Planet A, will be launched Aug. 14, 1985, for a flyby of the comet on March 8, 1986 — the same day as the first Soviet encounter. A much smaller craft, it will carry only two instruments, an ultraviolet camera and a charged-particle analyzer, and may get no closer than 60,000 miles.

For several years, American researchers

sought support for their own mission to rendezvous with Halley's comet, but to no avail. Buy American scientists will not be left out. They will be flying some instruments on the European spacecraft.

But even before the spacecraft leave the Earth, hundreds of astronomers will be peering at the comet through a coordinated program known as the International Halley Watch.

For the time being, there is nothing to the comet but its nucleus, which may be a mere three miles in diameter. It is now traveling in at 21,600 miles an hour.

According to calculations by Dr. Donald K. Yeomans of the Jet Propulsion Laboratory, the comet will come within 57.7 million miles of Earth on Nov. 27, 1985 — the closest passage inbound. Then, gathering speed from the tug of solar gravity, the comet will swing around the sun, coming within 55.8 million miles of it on Feb. 9.

On Feb. 9,

The U.S. Congressional Elections: Views From Around the World

U.K. Fears Reagan May Be Weakened

LONDON — As the British see it, the outcome of the U.S. election could well determine the viability of Mr. Reagan's presidency. And for Prime Minister Margaret Thatcher's government, the best result would be, as one official put it, "continuity and consistency."

Despite the differences over supplies for the Soviet natural gas pipeline, steel and other trade issues, Mrs. Thatcher is a staunch Reagan friend.

"Ronald Reagan is obviously not going to impress the left in this country or anywhere else," one Downing Street source said, "but the majority opinion would see him as a more, rather than less, reliable partner, and that is his on the right side when it counts."

The central issue here and in many other European capitals, is whether a strong American president, even one whose policies are seriously flawed, is preferable to a broken one, "limp and twisting in the wind for two auxiliary-ridden years."

The dangers are, alternatively, the opportunities that prospect were raised this week in *The Guardian*, a critic of Mr. Reagan's economic and military strategies. A clear repudiation of Mr. Reagan, combined with the reasonable possibility that he will not run for a second term because of his advanced age, would effectively collapse the president's power, the newspaper argued.

"Common sense and a longing for stability would dictate a modest vote of confidence for Mr. Reagan," *The Guardian* said. But, the newspaper went on, citing American polls, the verdict appears to be that Mr. Reagan is "a pleasant fellow but a lousy chief of state."

Reaganomics is especially controversial in a country that, since 1979, has had Thatcheromics, a similar approach. Michael Fout, leader of the opposition Labor Party, has couched the two policies in recent denunciations as a "threat to us all ... fundamentally unsound economic policies being ruthlessly applied."

Those who argue that Mr. Reagan has discredited himself and therefore deserves to be, in *The Guardian's* phrase, "a lame old duck" acknowledge that having the Democrats in control of Congress would lead to a period of, at best, stalemate. The critics also concede that uncertainty in American policies have a substantial ripple effect on the rest of the world.

For example, it is understood that Mr. Reagan's Middle East initiative, which has won widespread praise here, would have substantially reduced impact if the president were perceived as a declining figure. A weak president, moreover, would not be in a position to press any arms agreement with the Russians that might emerge from talks in Geneva.

Trade Sanctions At Issue in Poland

WARSAU — The U.S. elections are being closely watched by the Polish military authorities, who would welcome any signs of a weakening in Mr. Reagan's political position.

Polish attitudes toward the elections are colored almost entirely by the issue of U.S. sanctions against Poland and the Soviet Union imposed following martial law and the suppression of the independent Solidarity trade union.

For Polish officials, "staying the course" has very unpleasant connotations since it implies at least two more years of very strained economic and diplomatic relations.

Advisers to the Polish government assume, however, that President Reagan's foreign policy course cannot last for ever. They believe that either Mr. Reagan will be forced to pursue more pragmatic policies or he will be replaced at the next presidential election by a more moderate politician.

Either way, Polish officials hope that the U.S. elections will mark a turning point. But a propaganda campaign blaming Mr. Reagan for Poland's continuing economic crisis has failed to make much impression on ordinary Poles.

Allies See Balloting as Referendum on Reagan Policies

WASHINGTON — U.S. allies in Europe and Japan are hoping that anticipated Republican losses in Tuesday's mid-term congressional elections will cause the Reagan administration to soften its rightist orthodoxy and pursue more conciliatory policies in economic and military matters.

Governments in West Germany, France, Italy and Japan are known to feel that a mild Republican defeat could have salutrious effects on the Atlantic alliance, especially if the White House is encouraged to seek lower interest rates and lift sanctions against firms involved in building the Soviet-European gas pipeline.

At the same time, the allies fear that a sweeping Democratic victory poses the risk of a power stalemate in Washington for the next two years that would handicap the strong U.S. leadership needed to pull the West out of recession and relieve antagonisms with the Eastern bloc.

The accompanying dispatches from Washington Post foreign correspondents indicate that, while the elections have not yet started, a great deal of public interest abroad, governments are looking at the results as a referendum on President Ronald Reagan's stewardship in the White House and as a harbinger of possible policy shifts.

Bonn Expects More Stable Relations

BONN — The U.S. elections coincide with what West German officials regard as a new, more stable phase in relations between Europe and President Reagan.

Signs of this change, officials say, began some weeks ago, reflecting perhaps more than anything else the arrival of Secretary of State George P. Shultz and his quiet, behind-the-scenes approach to diplomacy.

The administration is perceived now as more experienced and less bent on confrontation in its dealings with West European governments generally. The harsh conservatism that held sway early in Mr. Reagan's term is seen here as having given way to more moderate influences.

This development, some West German analysts hope, will be reinforced by the elections. No one interviewed in the Bonn government saw any change in cheering for a Democratic victory in Congress that might hold Mr. Reagan in check, but it was clear that any election result that would have a moderating effect on the Republican right wing would be welcomed.

"Quite a few expect that the second period of the Reagan administration will be easier, not only because the president's people are more experienced but also because the administration may have to put up with a somewhat changed situation in Congress," said Karl-Dietrich Bracher, a historian and political science professor at Bonn University.

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But beneath the optimism is a recognition that basic alliance problems are likely to persist for some time. A change in Washington's style can only go so far in resolving what remain fundamental differences in approach to East-West questions.

"The central problem still remains," observed a ranking Bonn official. "We have to accept to note that a parallel effort exists.

Role of Scapegoat Concerns Japanese

TOKYO — A deepening mood of frustration is evident here among Japanese over what they view as the Reagan administration's high-handed approach in dealing with Japan on the issues of trade and defense. The Japanese fear their country may be in for an extended run of being cast as a scapegoat for American economic ills.

Inevitable fans of American movies, the Japanese initially applauded Mr. Reagan as a figure exemplifying the values of individual strength, fairness and self-reliance that they tend to admire.

But, after two years of Mr. Reagan's hard-line policies, a curious sort of nostalgia has set in for an American administration with a less strident, ideology-oriented bent.

Government and private economists here generally give Mr. Reagan high marks for his efforts to turn around the U.S. economy, the biggest single overseas market for Japanese goods.

The president's calls for belt-tightening and self-sacrifice strike a deep chord with the traditionally frugal, highly disciplined Japanese. But the consensus of many in government and business here is that a continuation of Mr. Reagan's economic policies will keep any benefits for American industry far down the road.

In the meantime, there is growing anxiety here that high unemployment rates in the United States will inevitably lead to more resistance to Japanese goods and possibly a greater backlash against the Japanese.

Japanese government officials and business leaders have been angered by Mr. Reagan's stand on the Soviet natural gas pipeline to Europe, but have said little for fear of sparking even more heated criticism of Japanese goods.

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In the recent election campaigns in the United States, calls by former Vice President Walter F. Mondale and others for protectionist legislation have chummed up strong feelings among the Japanese, who have read press accounts of incidents such as the bashing of Japanese cars by unemployed auto workers in Detroit.

Frankly, Japanese are sick and tired of Reagan tactics toward Japan and Europe," said a senior political writer for a major Japanese newspaper. "We want somebody who'll sit down calmly and talk rationally about the issues of trade and defense.

"You pick up the paper here and practically every day it's full of demands," the writer said, from American officials for Japan to move faster to shoulder a greater military spending burden or to open its markets more widely.

"The Japanese really want to see Reagan put forward a more reasonable foreign policy, especially toward Japan," said a specialist in U.S. affairs. However, he said, American officials recently "have been high-handed and arrogant and shown no willingness to listen to Japan."

A Lack of Interest Prevails in Israel

Little Importance Attached by Arabs

JERUSALEM — Preoccupied with events in Lebanon and the aftermath of the massacre of Palestinians in West Beirut, Israel seems to have barely noticed the approach of the congressional elections in the United States.

The Israeli press has paid scant attention to the American political scene, and a veteran observer of such matters says he cannot recall a U.S. election that attracted less notice here.

The lack of interest partly stems from the introspection that has followed months of turmoil in Israel and Lebanon. It is also due, however, to the nature of the U.S.-Israel relationship.

That relationship was summed up by a senior government official: "My favorite American president is always the present one. My favorite American Congress is always the present one, because that is who we have to deal with."

Off-year elections, an Israeli remarked, can provide an interesting gauge of a president's popularity and "the mood of the United States." It can also yield useful clues about what direction the presidential election campaign will take two years hence, he said.

But foreign policy is seldom a major factor in off-year voting except in isolated congressional races, he noted.

There are, of course, individual races of more interest than others to Israel. Among them are those involving Senators Henry M. Jackson, Democrat of Washington; Daniel Patrick Moynihan, Democrat of New York, and Howard M. Metzenbaum, Democrat of Ohio, all strong supporters of Israel.

But whatever the overall results, the election is not likely to have much immediate impact on Israel, officials say.

Despite the recent strains between Washington and Jerusalem, Mr. Reagan continues to be seen as a basically pro-Israel chief executive.

And Israel seem reassured by the administration's pledges to continue economic and military aid and to maintain good relations despite the differences growing out of the war in Lebanon.

The major issue between the two countries is the president's peace initiative. The Israelis hope it will fade into obscurity but expect the administration to continue to push it regardless of the election outcome.

If Mr. Reagan succeeds now in getting Israel out of Lebanon the way he got the Israelis out of Beirut and its airport, the Arab faith in Mr. Reagan's determination and persistence will increase enormously. If not, his credibility will be very much on the line.

The thrust of Arab strategy now is to woo the United States away from Israel, to appear as "moderate and reasonable as possible in hopes Mr. Reagan will put pressure on Prime Minister Menachem Begin. This attitude of hope in regards Mr. Reagan is mixed, however, with underlying doubts about his will to really push Israel as hard as Arabs believe will be necessary to get it to trade land for peace.

Added to this are persisting doubts about the word of U.S. guarantees to Arabs over control of Israeli actions following the Israeli invasion of West Beirut and the slaughter of Palestinians. Arabs generally feel Israel action in West Beirut was precisely intended to undermine the Reagan initiative and discredit Mr. Reagan in eyes of the Arab world.

Arab leaders have gone out of their way not to antagonize the Reagan administration, first by not criticizing Mr. Reagan's initiative and even noting its "positive aspects" and second by avoiding expulsion of Israel from the United Nations.

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There is also the perceived lack of adequate U.S. support for international aid organizations when many countries face huge debts.

The combination of U.S. policy in the Falkland Islands conflict and the economic ills and staggering by recession, foreign debts, and a slump in international aid, South American leaders have increasingly begun to complain in recent months that Washington has simply ignored their interests.

For the region's governments, the primary concern is this year's economic issues.

And for them, if the U.S. adheres to present programs, it will mean the continuation of a series of much-resented policies: relatively high interest rates and a slump in aid in favor of "private investment" programs that are often received cynically.

WEDNESDAY, NOVEMBER 3, 1982

COMMODITIES

Oil Price Outlook Appears Uncertain In Post-Surplus Era

By Sally Clubley

LONDON — Despite the stability of the oil markets in recent months, the long-term outlook for oil prices remains uncertain. The continuing lack of cohesion within the Organization of Petroleum Exporting Countries and the increasing importance of non-OPEC producing countries has altered the supply end of the chain while the recession and energy conservation have reduced demand. Overall, the oil industry of the 1980s bears no relation to that of 20, or even 10 years ago.

Earlier this year, the oil glut was a much-publicized phenomenon, with predictions that OPEC would collapse and crude oil prices would fall to \$25 a barrel. But six months later, oil prices were stabilizing, OPEC was maintaining, more or less, its price and production agreements and the market was returning to a kind of normality.

Now, however, the market is again facing confusion, with no clear outlook beginning to emerge. Much of the reason for this is the long-awaited, but not yet apparent, upturn in oil demand that was widely predicted for the fourth quarter of this year.

There have been some encouraging signs that oil demand is picking up and that prices will firm — West Germany, the United States and Japan all revised their provisional second-quarter consumption figures upwards, contributing to the International Energy Agency decision to predict a fourth-quarter drop in demand of only 4 percent in the fourth quarter. But there are other indicators that the market has some way to go yet.

Looking, for example, at the futures prices for gas oil in London and heating oil in New York, the expectation seems to be that the price will hold steady through to December-January but will begin to drop significantly after. The markets are seasonal, with one of the main uses of gas-heating oil being space heating, but, even taking this into account, there seems little confidence among traders using the markets that demand and prices will pick up in the medium term.

Although the recent demand figures in the major industrialized countries have been stabilizing, the severity of the falls in recent years should not be forgotten. The oil industry has to be adjusted to a smaller overall picture — and it has yet come to terms with this.

Gas oil prices, particularly since the opening of the futures markets in New York and London, are a focus of opinion on the oil market. Gas oil is the most widely traded product on the free market, accounting for the largest proportion of spot trading on the Rotterdam market. As such it has always been susceptible to market news and views.

The movements of prices on the futures markets give a valuable guide to the opinion of those involved in the oil trade, and as more contracts are introduced they will provide an even better picture. New York already trades a gasoline contract and is planning a crude-oil market, while Chicago plans to introduce heating oil and crude and London is looking at gasoline and fuel oil.

Some years ago, these markets could not have survived — one that opened in London in the early 1970s failed — because the oil market was to a great extent in the hands of the major oil companies, the Seven Sisters and, later, OPEC. Only recently oil has begun to behave like a real commodity, proving itself susceptible to supply and demand and failing to provide the absolute hedge against inflation many believed it would do.

Meanwhile, prices are likely to strengthen, or at least remain stable, over the winter months with oil demand at its relative peak and the beginnings of an economic upturn likely in some of the countries hardest hit by the recession.

But the OPEC meeting in December could prove crucial. Since the last full ministerial meeting in July, a number of OPEC countries have bent the terms of the March production agreement to their own advantage. This has had the effect of creating tension between the Gulf states, producers of poorer quality crude, and the African producers of sweet crudes. If OPEC is to bring real stability to the market, it must be seen to be a strong grouping. It now accounts for less than half the free world's oil production and so no longer has the absolute control it had in the past.

Oil product prices, once led by crude, now have an increasing influence on the crude price — oil refining has only recently become profitable again after several years of unprofitability. The introduction of crackers and other upgrading facilities and the gradual rationalization of capacity, have been the major factors behind this recovery. With memories of hard times still fresh in their minds, refiners are likely to fight hard to maintain profitability. This is likely to bring some stabilization into the market, but the refiners can, of course, only control supply.

Another major feature of the market recently has been the strength of the dollar, which makes oil products more expensive than ever in most of the consuming nations. Exchange rates are likely to continue to exert a strong influence on the market and throw yet another unknown into the equation.

Looking still further ahead, the possibility of a shortage of crude at some time in the future should not be forgotten. The rise in oil consumption in the developing countries combined with projected growth rates for the industrialized nations have contributed to the IEA's recent warning that a new oil crisis could develop in the 1990s — a warning that should not be ignored in long-term estimates.

Thus, the outlook is uncertain, with all the factors mentioned above likely to exert an influence. Futures market prices for next spring underline the lack of confidence felt by the industry about an upturn in prices, but there are signs that some sort of stability might return.

Sally Clubley is a research analyst specializing in oil markets at Premier Man Ltd., London.



Heavy trading on the Chicago Mercantile Exchange, where volume reached almost 30,000 contracts daily for S&P 500 futures during the stock market boom in August and October.

Gold Prices Expected to Remain Steady

By Edwin Arnold

LONDON — The bear market for gold is now over but that is not the same as saying we are in a superbull market. I am not a \$700-an-ounce-plus in the next 12 months superbull. Indeed, I would be very surprised to see anything remotely superbullish about gold's performance over the next year or so. In number terms I am saying that if gold averages \$550 an ounce in the fourth or fifth quarter from now I will be very surprised.

In the third quarters of 1982 gold averaged \$380, and this included the spectacular \$100 gain in the first week of September, which in turn was a product of the locals in New York and Chicago running out Middle Eastern short positions, probably totaling about 2 million ounces on the futures markets.

One can be a superbull if one believes:

- Galloping double-digit inflation is just around the corner in the United States due to the Fed's new accommodating stance.

- Debt defaults by major countries and corporations will lead to major bank failures or the wholesale printing of money to prop up the banking system.

- Interest rates in the United States and in major economies of the Organization for Economic Cooperation and Development will go to negative levels for substantial periods of time in the hope of stimulating strong economic recovery.

- There will be an oil price explosion that will fuel a new bout of worldwide inflation.

- Corporate and private lenders of money will no longer expect a return.

- A return to a fundamental Islamic view of life as witnessed in Iran breaks out in Saudi Arabia or the Gulf states.

These six reasons and variations upon them are the arguments used by the superbulls who see life in black and white, whereas reality is more often 100 shades of grey.

The crisis will be contained, I believe, with the cracks being (Continued on Page II-5)

Edwin Arnold is a metals specialist at Merrill Lynch International.

Gold Price and Supply Statistics

	Average London Gold Price \$oz.	S.A. Mine Output (000 oz.)	Krugerand Sales (000 oz.)	Kruger Sales as % of Mine Output	IMF and U.S. Auction Sales (000 oz.)
1974	159	24387	3204	13	—
1975	161	22765	4804	21	1254
1976	125	22778	3004	13	780
1977	147	22408	3331	15	6030
1978	193	22667	6012	27	9944
1979	306	22613	4941	22	17208
1980	615	21669	3143	15	2220
1981	460	21117	3560	17	0
1982 Est	370	21250	4000	19	0
1983	518	5234	950	18	0
1st Quarter	479	5299	443	8	0
2nd Quarter	421	5357	1071	20	0
3rd Quarter	420	5227	1096	21	0
January	558	1728	284	17	0
February	500	1725	321	19	0
March	499	1781	345	19	0
April	496	1756	123	7	0
May	480	1744	133	6	0
June	461	1799	207	12	0
July	409	1788	447	25	0
August	410	1795	408	22	0
September	444	1774	216	12	0
October	438	1816	329	18	0
November	413	1711	407	23	0
December	410	1640	360	22	0
1982	384	1683	380	23	0
January	375	1707	308	18	0
February	333	1707	664	39	0
March	350	1763	143	8	0
April	334	1758	141	8	0
May	315	1850	206	11	0
June	338	1835	147	8	0
July	364	1838	62	3	0
August	438	N.A.	N.A.	N.A.	0
September	363	5113	1352	26	0
1st Quarter	333	5371	490	9	0
2nd Quarter	380	N.A.	N.A.	N.A.	0

(1982-Aug. S.A. Mine Output
Source: T.C. Commodity & Co.

Edwin Arnold is a metals specialist at Merrill Lynch International.

have suffered from the third consecutive year of surpluses.

Fundamental weaknesses have prevented the other organizations from enjoying the same success. For example, although the International Sugar Organization also uses export quotas, these are set at an unrealistically high level and thus do little to limit supplies. It is also handicapped by the fact that the European Community, the world's most important exporter of sugar, is not a member. The International Cocoa Agreement has suffered in a similar manner, since neither the world's largest producer, the Ivory Coast, nor the world's largest consumer, the United States, are members.

In some cases the apparent powerlessness of the commodity agreements to alter the course of events has so exasperated the producing countries that they have taken matters into their own hands. The most colorful instance of this occurred when a mystery buying group, reputedly backed by Malaysia, succeeded in forcing the price of tin on the London Metal Exchange up from 16,500 a metric ton to more than 28,300. The success of this operation was short-lived, since prices collapsed once the buying group departed from the market. Malaysia's unilateral decision to limit its rubber exports holds out some promise of a longer-term influence on prices.

The difficulty of maintaining prices in the face of the recession has prompted producers to give consideration to cartels, for example transforming the International Council of Copper Exporting Countries into an OPEC-style organization. So far though, the Organization of Petroleum Exporting Countries remains the only effective cartel. The organization responded to the March decline in spot prices by agreeing to limit production to 17.5 million barrels a day. Although some members like Iran have been somewhat cavalier in their adherence to the agreed restrictions, the combined effect of the Gulf War and

drastic voluntary production cutbacks on the part of Saudi Arabia have been enough to prevent the cartel from disintegrating.

Moves to improve North-South relations and combat protectionism have been advocated as helping to prevent a recession in world trade. In the event, markets have tended to operate in the opposite direction. World recession has imperiled both causes.

As far as relations with the Third World are concerned, falling commodity prices have brought fundamental differences in attitude to the surface. Producing countries have argued in favor of maintaining prices at a "realistic" level in relation to production costs. The mainly conservative Western governments have argued in favor of letting prices fall to a realistic market level as being the quickest way to restore a balance between supply and demand.

The disputes that have arisen between the United States and Malaysia over the tin and rubber agreements illustrate the gap separating the two points of view. Because of its objection to the introduction of export controls, the United States refused to join the Sixth International Tin Agreement. For its part, Malaysia has repeatedly complained that U.S. sales of stockpile tin are having a disruptive effect on the market.

At the May meeting of the International Rubber

Agreement, the consuming countries, led by the United States and the European Community, insisted on a 1 percent downward revision of the buffer stock price range. Producer delegates were increased, arguing that even before the reduction, current prices did not af-

(Continued on Page II-5)

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Money Markets Geared for Boom In Futures Trading

By Jerome Idaszak

CHICAGO — It may seem odd that it took U.S. futures exchanges more than 100 years to "discover" money, but that discovery is even less revolutionary than the one that is propelling the industry's growth now — the discovery of cash.

The first discovery was made in 1972 when the Chicago Mercantile Exchange took commodity futures trading beyond agriculture into the world of the Swiss franc, the German mark and other foreign currencies. Five years later came futures pegged to movements of interest rates, and quickly everyone began talking about money as the ultimate commodity.

The single biggest contract on any futures exchange continues to be Treasury bond futures on the Chicago Board of Trade. Contracts worth \$8 billion in underlying Treasury bonds change hands on an average day. Futures trading, which had been limited to farm commodities and farm-related businesses, now attracts the Wall Street establishment of Salomon Brothers, Goldman, Sachs & Co. and other old-line financial firms.

In the business of futures trading, however, yesterday's success fades as quickly as an old newspaper. Everyone keeps their eyes on what to do next, especially industry leaders such as Leo Melamed, former chairman of the Chicago Mercantile Exchange, who is credited with leading the path into financial futures.

He said: "The challenge today is to maintain the momentum and to bring the international community to your place of business. There will be 24-hour trading. The challenge is to make sure you're connected, so Europe can use our market during our trading day, and Southeast Asia, too."

That international linkage has led the Chicago Mercantile Exchange officials, including Mr. Melamed, to establish an office for its International Monetary Market division in London three years ago and to work closely with the recently-opened London International Financial Futures Exchange to help Liffe, as it is known, begin smoothly. It has also led the Chicago Merc, as it is known, to create a study group that will work with Singapore officials in 1983 toward the goal of creating a financial futures exchange in that country.

The discovery of money as a basic "commodity" makes the global expansion of futures possible. From foreign currencies and U.S. interest rate instruments such as Treasury bonds and bills, it was a short leap to futures on Eurodollar time deposits. And while the volume of Eurodollar futures has been slow to build, that contract quietly introduced an innovation that paved the way for the big success story of 1982 — futures on stock indexes.

What Eurodollar futures, introduced by the Merc in late 1981, did was to allow the buyers and sellers of futures contracts to settle their trades in cash. From their early days, futures contracts, which carry the obligation to deliver or receive an underlying commodity at a fixed price and a fixed date in the future, had discouraged some participants, who balked at the thought of getting a million bushels of soybeans delivered to their home or others who worried about a squeeze whereby they would be forced to pay high prices to make delivery of a commodity. Now, the trend is toward cash.

Cash settlement made possible the trading in early 1982 of stock index futures. Someone who sold futures on the Standard & Poor's 500 index would not have to worry about delivering one of 500 different stocks.

As the stock market boomed in August and again in October, the three futures exchanges with trading on indexes saw volume swell. The Chicago Merc reached almost 30,000 contracts daily on its S&P 500 futures. The New York Futures Exchange, which was headed for oblivion until it began futures on the New York Stock Exchange composite index of 1,500 stocks, saw volume running daily at 10,000 contracts and more. And the Kansas City Board of Trade saw its futures on the Value Line index of 1,700 stocks offset a slump in the trading of wheat futures. "Our contract has been the most successful new contract in exchange history."

Futures industry officials see even greater potential as the stock index futures develop a longer track record. They see it appealing to money managers who handle portfolios for pension funds, insurance companies and banks. Instead of buying and selling stocks wholesale each quarter, the money managers could use futures trading to diminish the risk of price changes.

COMMODITIES

Long-Term Oversupply Brings Prices of Major Metals to Lowest Since 1978

(Continued from Page 95)

unusually, to optimistic forecasts of future consumption. In 1960-1970 alone, copper output increased 47 percent, nickel 93 percent and aluminum 127 percent. It prompted miners to prospect, develop and produce on the assumption of these rates continuing. They fell. The output continued, although consumption took a severe knock. Between 1977 and 1981, zinc was stagnant, nickel rose less than 2 percent, lead fell 8.5 percent, copper rose 5.5 percent and aluminum was static. The volume of discoveries and developments continued to grow.

We shall live with this problem until either:

• Sustained economic growth.

accompanied by a slowdown in development, occurs. The former is unlikely until well into 1983 at the earliest, and the latter may prove to be a political impossibility; or

• Capacity is deliberately removed on a permanent basis. The impetus would have to come from the major producing countries.

With the exception of the United States, these are mostly dependent on mineral exports for their economic survival and will be unlikely to act without financial inducements.

The increased use of commodity futures and the floating and tradability of currencies and interest rates have guaranteed that volatility will be a permanent feature of the metals market. This will create short-term upward price patterns, but will not establish a permanent base for recovery. A slow process of attrition may occur in the producer sector, but even this will produce price benefits only if consumption improves. Most economic forecasters are now uncertain about any form of sustained recovery in 1983.

In spite of being the largest volume nonferrous metal, aluminum is still strongly attached to the producer price. The success of the London Metal Exchange contract, launched in 1978, has given a fillip to the free-market merchant trade and provided an outlet for the growing band of new producers who have no formal affiliations with the major primary refiners. The London Metal Exchange/merchant price equates to about \$950 to \$1,000 a metric ton, some 40 percent below the official U.S. price. It indicates the depth of the surplus, a condition confirmed by the near-collapse of scrap prices.

What caused the fall? The extreme growth trend—8.5 percent a year in 1960-1970—prompted the major expansion of refinery capacity is deliberately removed on a permanent basis. The impetus would have to come from the major producing countries.

The deterioration in 1980-1981 is apparent, with refined output rising at 25,000 metric tons a month, while consumption increased by only 12,000 metric tons

a month. The correction in 1982 is beginning, but the months ahead will prove a major test. Degrees of restraint in output have varied considerably.

The fall in the United States, a third from its February 1982 peak, has had a stabilizing effect, augmented by strikes and cutbacks in Canada. The price paid by the companies concerned has been heavy and there has so far been no compensating price increase.

The North American companies will be forced to decide shortly whether to finance continued operating losses or to return to work in what will be at best a breakdown situation. There is little likelihood of the other listed producers showing similar restraint.

The technical outlook for the metal remains sound. There is some market erosion by fiber optics in the field of micro and short distance communication, but this is largely in the growth market area. Of larger concern is the determination of Chile and the Philippines to continue to expand at a serious rate. Australia has several major copper and by-product developments under way and Papua New Guinea has the Bougainville-SIK Tedi deposit. Peru, Bolivia and Brazil are also expansion contenders. A question being seriously debated is whether the United States will begin to phase itself out of copper production in view of the increasing nonferrous profile of the metal and high domestic production costs.

The first nine months of 1982 have seen a London Metal Exchange cash average of \$233 a metric ton (about 64 cents a pound) for the first nine months of 1982 is only 15 percent below the 1981 average. However, U.S. producer prices have remained at \$2.29 a pound for the past year, unrealistically above free-market prices, which even in nominal terms are the lowest since early 1979. Nickel has had a hard 10 years, twice hit by oil crises and then again by the recession.

Almost every Western producer has made high cutbacks, particularly those mining the energy-hungry lateritic ores in New Caledonia, the Dominican Republic and elsewhere. However, even Inco and Falconbridge, mining

cents a pound range with Asarco as the market leader.

Lead consumption in the form of batteries, gasoline additives and solders depends heavily on the automobile industry and total Western world usage fell 3.5 percent in January to July. The underlying trend is toward lighter, smaller cars with low-life, maintenance-free batteries reducing the weight of lead per vehicle. However, lead mined output is up 10 percent with increase seen in Australia and particularly the United States, where Missouri producers have been capitalizing on their high grade ores. Refined production is slightly down and stocks of lead concentrates have risen to match.

Eighty percent of world lead output is currently sold, at a loss and the secondary sector, which provides 40 percent of the total, has been hit hardest. Supplies of lead scrap remain tight with dealers disinclined to collect at low prices, and the U.S. secondary industry is operating at only half capacity. A succession of harsh winters and a rise in disposable income levels are needed to help lead out of the doldrums.

The London Metal Exchange cash average of \$2.93 a metric ton (about \$2.26 a pound) for the first nine months of 1982 is only 15 percent below the 1981 average. However, U.S. producer prices have remained at \$2.29 a pound for the past year, unrealistically above free-market prices, which even in nominal terms are the lowest since early 1979. Nickel has had a hard 10 years, twice hit by oil crises and then again by the recession.

End-use changes have now been photocopied. Photography remains the major user in spite of repeated claims of substitute materials. Coinage recycling has dried up, but commemoratives, jewelry and electronics remain strong. The outlook is that silver will remain sub-

ordinate to gold in the higher discount band, 40-to-1 to 50-to-1, but could easily narrow into the lower end, i.e. 40-to-1, if gold strengthens. Mined supplies will be threatened if the recession cuts further into copper, lead and zinc demand, where silver is a by-product.

Tin has now settled into a trading band of \$7.200 to \$7.500 a metric ton (about 33 cents a pound) for the first nine months of 1982 is only 15 percent below the 1981 average and well above every annual average except for 1974; an anomalous year. Zinc saw a market-crash in 1981, concentrates square in February 1982, which took it up to \$246.5 and fell in concert with gold to \$241.5 in June. U.S. producer prices have remained above London Metal Exchange levels in a broad band of 33 cents to 42 cents, with official producer prices elsewhere down from \$59.50 a metric ton in January to \$50.50 to \$55.00.

Consumer interest for zinc's traditional uses in galvanizing steel, cast components for automobiles and bronze and brasses remains low with Western World usage down 6 percent in January to July. The United States has borne the brunt, with consumption down 25 percent. Mined production rose 4 percent, although refined zinc output fell 6 percent, showing restraint on the part of North American smelters and leaving the miners with mounting concentrate stocks.

The outlook is gloomy as producers struggle to retain their markets and EC smelters aim to finance closures of 10 percent of current capacity. Their efforts have been sabotaged by the eager efforts of Third World producers, particularly in Mexico and Peru, as well as the marked downturn in the construction and transportation industries.

There is an unusually wide separation of interests in tin, with over 75 percent of mined output in Malaysia, Thailand, Indonesia and Bolivia, but 65 percent of consumption centered in the United States, Japan and the European Community. It is an area ripe for North-South confrontation.

The recession and the price panics of February 1982 have undermined tin consumption, particularly in the price-sensitive packaging sector, with total Western usage

World Price Decline Worries Soft-Commodity Producers

By T. Robinson

LONDON—The steady decline in the prices of coffee, cocoa, sugar and rubber in recent years has led to difficulties in many countries that depend on exports of these commodities for their foreign exchange earnings.

The fall in prices can often be traced to declining consumption, either as a result of the world recession or as a result of artificial pricing mechanisms in certain countries. This has been exacerbated by the fact that the same artificial mechanisms often encourage production at levels in excess of what would normally be undertaken.

The resultant excess of supplies has served, despite the intervention of international price-stabilization agreements, to keep soft commodity prices on the defensive since 1979-1980. In the case of sugar, its ready availability has caused the price to break through the support level established under the International Sugar Agreement. Prices are now below half of the minimum support price of 13 cents a pound.

The Cocoa and Rubber Agreements are experiencing some disarray as members decide on futures

mechanisms for controlling the market. In contrast, the Coffee Agreement is currently controlling the market in a very effective manner. Nevertheless, it is believed that the seeds of its demise may already have been sown. It is against this background that any analysis of the soft commodity markets in the 1980s must be placed.

The sugar price has exhibited fluctuations during the 20th century following its own basic economic cycle, which is now close to a low point. Despite the fact that most countries in the world contribute to world production of more than 90 million metric tons (9.9 million short tons), only some 15 million metric tons of sugar is traded on the world market on a regular basis. Hence, analyses of future prices for sugar must address themselves to the factors affecting this "free market."

Demand in the free market has declined recently because of recessionary problems around the world. More importantly, however, the decision of the United States to impose quotas on imports of sugar adversely affected the market at a time when many producers were hoping to increase their exports to that country. Alternative sweeteners, based on maize, are

likely to maintain their share of the sweetener market. On the production side of the equation, controls on exports by members of the International Sugar Agreement have to some extent limited supplies, but at the cost of large stockpiles of sugar in those countries.

The outlook for the future price of sugar rests on finding a solution to the above problems. Shortfalls in projected oil revenues have affected many countries' trade balances. Consumption in developing countries is unlikely to increase as rapidly as it did as a result of the low prices in the mid-1970s, because of their debt problems. In the developed world, too, few countries are paying world prices for sugar because of the abundance of duties and tariffs imposed to protect the price for domestic farmers. Thus prices to the consumer are still high, keeping consumption increases low. Decreases in consumption are forecast for many developed countries in the coming season.

Meanwhile, production, fostered by the high prices paid to farmers by many countries, will continue its upward trend. Certainly several more years of surplus are ahead of the sugar market unless consumption can be encouraged in the two

large "dark horses," the Soviet Union and China. Even so, world stocks are now very high and it is feared that it would take either a severe crop disaster or several years of lower production to get prices back to the minimum level of the International Sugar Agreement.

In contrast, the cocoa market appears to be heading for its first production deficit since the 1976-1977 season. The major production problem lies with the third largest producer, Ghana, where a steady deterioration in the cocoa-growing economy since the mid-1960s has led to progressively smaller crops.

Although demand is expected to increase slightly in the next few years, the main center of interest in the cocoa market is the International Cocoa Agreement. Apart from a buffer stock of 100,000 metric tons already built up under the agreement, a loan of \$75 million has been obtained from a consortium of Brazilian banks in order to increase the buffer stock. At present, prices less than 40,000 metric tons could be purchased with this loan. This will make only a small dent in world stocks, which are estimated at close to 700,000 metric tons equivalent to more than five months usage. Nevertheless, the existence of this potential support operation is keeping prices higher than would normally be expected given such large stocks.

A small deficit in the current season will ease the problems of the continued buildup of world stocks, but it is felt that as supplies are not remote as tight as in the last full market in 1978, any major move will be downward if the individual members of the agreement start openly to break its rules, or if future surpluses appear. Overall, the short-term outlook for cocoa is for a quiet market, trading within a fairly narrow range. In the longer term the presence of the current large stockpile is likely to depress the price despite the efforts of the International Cocoa Agreement.

Frost is a major factor in the coffee market. Whenever frosts have occurred in Brazil, the potential decrease in supplies has caused major increases in world prices.

Rubber is unlike the previous three soft commodities as it responds very closely to the world recession. The motor industry is its largest consumer, via tires and tubes.

Unless the agreement controls quotes tightly within a quarter, there is a risk that it will be unable to maintain prices above the minimum level through the middle of 1983. Further, there is the danger that if the price falls below this minimum level, members will pursue individualistic policies with regard to world sales, which may result in a major fall in prices.

Rubber is unlike the previous three soft commodities as it responds very closely to the world recession. The motor industry is its largest consumer, via tires and tubes.

In summary, the outlook for the four commodities is for prices to remain at present levels or become depressed even further. There is the possibility, indeed likelihood, of minor upward movements at regular intervals as rumors circulate of major buyers entering the market. Nevertheless, the ready availability of supplies should promptly fill the potential demand.

As in many other industries a concerted move by the world's economies will help the commodity markets to move higher. In the short term, however, the opportunities for higher prices appear strictly limited. This in turn implies that the prospect of many developing countries experiencing an improvement in their balance of payments problems is slight.

T. Robinson is Head of Commodity Research, E.D. & F. Man Ltd.



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COMMODITIES

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Erosion of Grain Prices Expected

By Terence C. Bird

LONDON — There is little prospect of a bull market developing in grains. Prices will probably erode further through the winter months. U.S. support measures for corn and wheat are grossly inadequate for the current crops as many farmers are ineligible for participation. American soybean farmers on the other hand should benefit more from the support program, but here again a sustained bull market appears unlikely.

The Soviet Union is, as always, a major factor in world supply and demand for grains. It has just suffered another disastrous crop. Moscow rarely makes poor grain production figures public. However, favorable weather recently has probably increased the crop size to a level above the current U.S. Department of Agriculture's estimate of 170 million metric tons (187 million short tons). The department's estimate of a Soviet import requirement of 40 million metric tons is guesswork. It is difficult to assess how much a country needs when you do not know how much the country started with, produced or can afford.

Although President Ronald Reagan has offered to sell the Soviet Union 23 million tons of grain, the Russians have not forgotten former President Jimmy Carter's ill-fated grain embargo against the Soviet Union. As a result, the Russians have been slimming the U.S. grain market. Moreover, other countries have bolstered production to levels that accommodate the bulk of the substantial Soviet import requirement. This puts U.S. producers in a difficult bargaining position as they are currently harvesting bumper crops.

The Russians are very experienced and extremely clever grain buyers. If the steady erosion of U.S. grain prices continues, it is conceivable that we will see a Soviet buying spree at bargain prices. The Russians need to rebuild their dwindling stocks, which have

been reduced by the recent poor harvests. However, this is no great consolation for U.S. producers in the near term.

Canada, which is also reaping bumper crops, has recently concluded a sale of 7.6 million metric tons of grain to the Soviet Union. This sale exceeds the amount called for under the Canadian-Soviet long-term agreement. It nearly equals the total amount sold last year.

France has recently sold more than 500,000 metric tons of wheat to the Soviet Union. It is very likely that further sales will take place and a long-term France-Soviet Union grain agreement is almost a foregone conclusion.

The United States has, at least for the moment, lost its biggest grain export market. It is likely that the Soviet Union will try to squeeze U.S. suppliers. Before making purchases above the 6 million metric ton minimum requirements under the recently extended U.S.-Soviet grain agreement, the Russians will probably demand lower prices, favorable credit arrangements and guaranteed delivery. In any event, purchases in excess of the minimum are unlikely until the Russians have an idea of the size of their 1983-1984 crop.

There is no reason why the Soviet Union should negotiate a new long-term agreement with the United States, although it will probably do so for political reasons. In any case, U.S. grain producers will be left with a large proportion of the world's carryover stocks. The Russians will probably keep their options open. A further extension of the agreement is likely if the Soviet foreign exchange position improves.

Terence C. Bird is a grains specialist at E.F. Hutton.

Gold Prices Expected to Stay Steady

(Continued from Page 9S)

papered over while a durable solution is sought. What this solution will be I do not know, but I feel it must involve a reconstruction of long-term debt and some painful write-offs. The effect of this will tend to lower world growth rates by making both borrowers and lenders more cautious and keep interest rates at real levels and inflation down.

Central bankers are certainly aware of the problems. The Bank for International Settlements estimated earlier this year that about \$200 billion of loans were of doubtful or dubious quality. A central bank associate who attended a recent BIS meeting put it rather well when he reiterated that the mood of the central bankers was that international banking was "too important to be left to the bankers."

As for an oil price explosion, I could simply point to the present world supply situation: underutilization of capacity in many producing countries and the less-than-robust economic outlook for the OECD area in 1983. Also of interest is the fact that, compared with 1973, OECD economies on average now use about 16 percent less energy per unit of gross national product and about 26 percent less oil.

In conclude, it is worth re-emphasizing that gold has to compete with other monetary assets and investments. The much talked about "flight to quality" has included some gold buying, but it has principally consisted of money going into U.S. government bonds, corporate paper or just plain dollars on deposit. I still see gold having to compete against the stronger attractions of real returns over the next year or so and I do not see a situation during that time in which investment demand for gold heavily outweighs the supply of new-mined gold.

This is not to say that gold will not be a good trading market over the coming year. It should be. Futures markets often turn over 40 to 45 times the annual supply of new-mined gold. There are lots of bear and bull points that can be talked about endlessly to clients. And lots of money to be made and lost. But I am still not a super-bull.

Gold Futures: The Six-Month Mark

By Peter Grange

QUESTION: Do big, empty houses scare you?" Answer: "Not me. I used to trade London gold futures."

And that, with apologies to Bob Hope's gag about the years he spent in vaudeville, could have been the response of some members of the London Gold Futures Market during its first six months of trading.

The market opened last April amid fanfares and publicity. The idea was to cash in on the boom in gold futures in the United States, using London's geographical advantage as a link between Far Eastern centers and the big markets in New York and Chicago.

Speculators in gold futures need only put up a small part, normally 10 percent, of the total value of a contract to buy or sell 100 oz. of fine gold (current cost around \$45,000), in order to participate cheaply in the most glamorous and volatile market of them all. Those who read the market correctly, or who are simply lucky, can make a lot of money. On the other hand, if they get it wrong the leverage works against them.

As the only market in gold futures in the European time zone, London was hoping to attract the big players from the Middle East and Switzerland. So far it has been notably unsuccessful and there now appears to be a crisis of morale among its members.

Bad enough that the international speculators have stayed away in droves, but when the \$53,000-a-seat members start wandering off, maybe references to vaudeville are not too remote. The market committee felt obliged to announce recently that any member-company failing to maintain a presence on the trading floor would, after three warnings, face a fine of \$1,000.

This highly unusual stricture will no doubt put what London's theater managers refer to as "bums on seats." It also indicates a splendidly authoritarian lack of confidence in the other steps taken to try to raise the level of activity on the London market. The committee has also proposed the lifting of a three-year ban on the sale of seats; several members are thought to be less than enchanted with the London market, although it is fair to say that some of the smaller ones were probably out of their depth from the outset.

But the main reason for the disastrously low-level of interest was the decision to trade a

sterling contract. That decision was set aside only a few weeks ago when the 49-strong membership voted unanimously for a dollar contract. Whether or not the change to dollar prices will of itself be sufficient to revive the market is now the one-sixth-of-an-ounce, dollar-priced question.

Paul O'Hanlon, executive director of Citifutures Ltd., a subsidiary of Citicorp, New York, said: "If the market can sustain a volume of 1,500 contracts a day then there is some hope. But we would have to see around 2,500 a day before anyone could claim the market was established."

"As things stand, it could prove a long haul, although not so long as the 5,000-a-day forecast for November volumes made by the market's chairman, Keith Smith, back in the Spring."

Trading volume on the London market slumped from an average of 1,282 contracts a day in April to 316 a day in September. By way of comparison, the daily average of contracts traded on the New York Commodity Exchange, the big daddy of gold futures markets, rose from 47,000 to 53,600 during the same period, stimulated by the dramatic increase in the price of gold between mid-June and September.

If there is anything surprising about the poor performance of the London market it is the absence of surprise among the members themselves. Indeed, there is a marked air of resignation about some of them. But then some were predicting doom and gloom long before the market rose to its knees in April.

There are three different views in the market. Some members want an early opening to coincide with trading hours on the bullion market — 8:30 A.M. local time — and a 3:30 P.M. close, which would allow a small overlap with the New York Commodity Exchange. Others would like to see a much more extensive overlap with New York, which would mean opening at 11:30 A.M. and closing around 9 P.M. The third group wants to keep the hours as they are, 9:30 A.M. to 5 P.M.

The discussion looks set to continue. Mr. Smith said: "Until there is an overwhelming ease for changing the hours, the market should stand on its own feet and keep to the hours best suited to the European time zone."

Peter Grange is a journalist specializing in financial matters.

Chances of a Solid Market Upturn

(Continued from Page 9S)

ford an adequate return to the thousands of small-holders producing rubber.

Despite the continuing impact of the recession, there has been a perceptible improvement in market sentiment in recent months. Several factors are behind this change.

The lowering of U.S. interest rates has dampened investors' enthusiasm for cash deposits. Furthermore, there is growing concern that a banking crisis will arise as a result of debt problems around the world. High grade bonds have been the prime beneficiaries of the resulting "flight to quality," since they offer security of repayment and a stable income.

Other markets have benefited from the concern for quality. Tangibles have enjoyed something of a return to favor since they constitute assets that are not someone else's liabilities. Among commodities, precious metals have experienced the best rallies because of their traditional monetary role.

There are also some signs that the cyclical pressures on prices are beginning to ease. Consumer destocking

is thought to have nearly run its course, partly because falling interest rates are lowering stockholding costs. Also, processors have seen their margins improved by the falling cost of raw materials. They are under increasing pressure to protect these margins either by increasing stocks or by making forward purchases.

The other side of the coin is that falling prices have affected production levels. This process has been most pronounced among Western producers of base metals. By June this year, U.S. production of copper ore, for example, was down 38 percent from the level a year ago. Japan, because of its dependence on expensive energy imports, has made a strategic decision to substitute a large proportion of its refined aluminum production with purchases from abroad.

Whether these baleful omens will develop into a solid market upturn is still open to question. There will need to be evidence of either a sustained increase in industrial activity or of a return in rising inflation before the current steadiness of the markets looks convincing.

Money Markets Geared for Futures Boom

(Continued from Page 9S)

At best, the new law is redundant. At worst, it will invite derision by foreign traders," John Gaine, a Washington attorney who is also a former commission staffer, said. "I've talked to people in England, France and Germany. The concept of a broker giving out the name of a customer is alien to them. They fear the information could find its way to the Internal Revenue Service or the Central Intelligence Agency."

But Mr. Gaine thinks the new commission rule will not be used much. Instead, he sees continuation of

the trend started by the August 31 agreement between the Securities and Exchange Commission and the Swiss government to disclose certain information to U.S. regulators who have evidence of market manipulation or other trading abuses. The SEC policy does not affect futures trading, but Mr. Gaine thinks a similar agreement will be a goal for the trading commission.

Apart from such regulatory clouds, futures industry leaders see no impediment to growth. In Chicago and New York, they see London's financial exchange as bringing new players to the field.

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ARTS/LEISURE

Billy Joel Comes Up With Song for Vietnam Vets

By Robert Hilburn
Los Angeles Times Service

LOS ANGELES — Pop music was a haven in the '60s for anti-war expression. Bob Dylan, the Beatles, Joan Baez and Country Joe McDonald were among artists who joined in the cry.

But musicians were mostly silent during the '70s about the emotional scars left by the United States' Vietnam involvement. They've only recently begun to reopen this delicate wound.

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The Charlie Daniels Band's "Still in Saigon," a modest hit last spring, and Stevie Wonder's "Front Line" are both unsettling tales about the aftermath reported by many Vietnam veterans.

But the most striking reflection is "Goodnight Saigon," an "American Pie"-ish look at the Vietnam experience that is as uncompromising a social portrait as pop has given us in years. Significantly, this record isn't by an aggressive rocker or someone normally associated with protest music. It's by Billy Joel, who has been a mainstream radio favorite for years because of his ability to come up with safe, snappy tunes.

But it's doubtful many stations are playing the downbeat "Goodnight Saigon," which opens with traditional military bravado:

*We met as soul mates on Parris Island.
We left as inmates from an asylum.
And we were sharp, as sharp as knives
And we were so gung-ho to lay down our lives.*

Gradually, however, disillusionment and despair set in:

*Remember Charlie,
Remember Baker,
They left their childhood
On every acre.
And who was wrong?
And who was right?
It didn't matter in the thick of the night . . .*

Joel, who admits he dodged military service by lying to his draft board, said he wrote the song partly out of guilt. He also wanted to job others to stop treating many Vietnam veterans as outcasts.

"I'm trying to say that, we should all face up to what happened in Vietnam and show more compassion to the people who served there."

Joel objected to the Vietnam War on political grounds, he said, but he didn't join the anti-war movement. Rather than refuse to serve in the U.S. Army on political grounds, he lied to his draft board, claiming he was his mother's sole support.

He explained, "I just made up some ridiculous, inflated figure [for his income at the time], and they gave me a temporary deferment. Then, some of the files in my draft board got burned. I guess it was arson. I didn't hear from them for about a year."

"When they took on my file, it was burned around the edges. I remember standing there, thinking 'Christ, I just missed being burned into oblivion by inches.'

At that point, Joel was classified 1-A, and he figured he'd be called up. But the lottery system was instated, and he gained a reprieve. "The lottery stopped at 166 and my number was 197. It was the luck of the draw. Can you imagine just one number away?"

Does Joel now feel sensitive about speaking for the Vietnam veteran in light of his actions?

"Sure, I was sensitive about that," he replied. "I started writing the song about three years ago, and I wasn't sure of what I was going to say. I spoke to a lot of friends and other people who had been there. They were reluctant to talk about it at first, but they grad-



Billy Joel

in 1980 called "In America," a far-to-the-right slice of homespun patriotism.

Asked about a possible contradiction between the lamenting "Still in Saigon" and the resolute "In America," Daniels replied at the time, "Saigon is about millions of veterans who came back, and it was as though the country didn't want to admit they ever existed. I don't think the songs are different. I think both those songs are patriotic."

Stevie Wonder's "Front Line," which is featured on his recent "Original Musicanian I" album, is also a stark tale whose message is softened slightly by colorful musical trim. The lyrics, however, are unflinching:

*My niece is a hooker and my nephew's a junkie too
But they say I have no right to tell them how they should do
They laugh and say, "Out braggin'
'bout the way you should have never been in'
But my mind is so brainwashed I'd probably go back and do it again . . .*

Daniels's "Still in Saigon" single sold about 300,000 copies, but the record faced resistance from a hefty percentage of radio stations, reportedly a source involved in the "Still in Saigon" situation.

"We kept getting told that people [listeners] had problems with the record — that some considered it a novelty, that others get tired of anything with a message in it and so forth," the source noted.

Joel's "Sam Stone" was one of the few songs in the '70s to touch on the plight of returning Vietnam soldiers. It's a mournful folk-country look at a man who becomes a drug addict trying to escape the physical and psychological damage inflicted by the war.

Though "Sam Stone" remains the most eloquent song on the subject, it wasn't until Daniels's recording this year of "Still in Saigon" that the U.S. Top 40 again acknowledged the Vietnam experience.

Written by New York country-rocker Dan Daley, "Still in Saigon" is far from the romanticized sickness of Sadler's "Green Berets." Though much of its urgency is offset by a catchy, sing-along arrangement, the song remains acceptable to programmers. The Joel song is relentlessly stark. Even if never released as a single, "Goodnight Saigon" will be widely heard because Joel's album, "The Nylon Curtain," based on his past sales, should sell several million copies.

'Hard Shoulder' Is Good Fun

By Sheridan Morley
International Herald Tribune

LONDON — At the Hampstead, "The Hard Shoulder" signals the arrival of an intriguing new writer in Stephen Fagan. His play is ostensibly about a got-rich-quick wine merchant (played by Peter Blythe with marvelous twitches) who decides to go in for property speculation around

THE LONDON STAGE

the nether regions of north London only to find himself intricately embroiled with a motorway, a squatter, a fireman-builder and assorted planning applications. But what makes Fagan so interesting, apart from having taken up a dramatic position half-way between Mike Stott and Alan Ayckbourn, is that he's not giving us a treatise.

This is not, contrary to first appearances, a so-called consciousness comedy about motorway blight or the perils of capitalism or the rights of ringway protesters; it's just a very funny play about six people caught up in events they can only hope to influence through arson. It is conceived, believe this or not, primarily to entertain and to convince through its own stage presence, regardless of any larger issues involved, and that is what makes it such a rarity at the moment.

Alas Fagan doesn't have much of a conclusion (indeed his final scene is a bizarre lurch into an altogether different play) but along the way he has given a lot of fun, and for that we should be grateful.

Once in a mercifully long while you come across a thriller so devastatingly terrible that its mysteries have nothing at all to do with the plot. The mysteries surrounding "Mr. Fothergill's Murder" (at the Duke of York's, but probably not for long) are, in no particular order, these: How, even in the worst theatrical season in memory, could a play like this find its way into a professional West End theater? How could a cast featuring Frank Windsor and the unforgettable Rula Lenska bring themselves to do it not just in London, but for five months on the road, without applying to Equity for remission on the ground of good behavior, the latter to include not breaking into fits of uncontrollable giggles when asked to utter lines like "You know I never use the 12-bore these days except for the pigeons?"

Apparently compiled from off-cuts of "Sleuth," "Deathtrap" and "Dead of Night," "Mr. Fothergill's Murder" is presented in the West End by its director, David Kirk, which suggests a rare bout of call it history, that idea might just have worked.

But since we have here a distinctly second-string troupe of dancers who look as though they've been touring the Midwest in a summer stock revival of "Plain and Fancy" for too long, the idea fails apart on stage with considerable speed. Quite apart from the fact that the linking narrative is embarrassingly ill-conceived and underwritten, there is something irremediably tacky about almost all of the routines they have chosen to preserve. Nothing from "West Side Story," nothing from "Guys and Dolls," nothing from "Company," nothing even from " Oklahoma," nothing from any of the shows that have genuinely moved the Broadway musical forward in any way. Instead of landmark choreography we get tired routines from "Cabaret" and "Bye Bye Birdie" in inadequate imitation of the original, a sharp reminder of why Americans can never do "The Boy Friend" and why "Walking Happy" was such a disaster, and an appallingly arch commentary by Barry Preston and Zan Charisse.

"The American Dance Machine" does the best curtain calls in London, but they bring to a thumbnail end an evening of the wrong dances in reminders of the wrong shows, and the result for anyone who believes in the greatness of the Broadway musical is a profoundly depressing experience.

The Sweet Memory of Honey in the Comb

*This is one of a number of colo-
nial Waverley Root completed
before his death.*

EVERYBODY knows that one of the phenomena of old age is a shift in the focusing of memory; you forget what you did yesterday, but you remember, in details long forgotten, what you did in childhood. What everybody knows is not always true, but at 79 I can attest that this account is accurate. Apropos of the instant oblivion visited upon present actions, I read recently in E.B. White's letters that he was obliged to devise a system of warning to prevent him from taking pills twice or even often, with possible harmful effects. I have had similar troubles myself, so it was comforting to reflect that Mr. White's lapse of memory did not prevent him from continuing to write like an angel; indeed he continued to write like an angel until he became one. On the other count, I find memories welling up into my mind from more than half a century ago. It is surprising how many of them are memories of food.

One which has been asserting itself lately is of the square boxes of which there were always one or two on the pantry shelves of the house I occupied between the ages of 10 and 20, sometimes of flimsy wood like that used to make

Camembert boxes, but whatever the packaging, the content was the same — a food not really meant to be eaten alone, but I used to slide it out of the box and bite deep into it with delight. It was honey in the comb. I have not seen honey thus presented for decades, but it was the normal way to put it in my youth.

I do not know why honey in the comb was so much more satisfying than honey out of it. It must have been a question of texture. The crunchy wax added a certain robust quality to the honey and saved it from being cloying, which honey can become. The very honey of all earthly joy/Does of all meats the soonest cloy," as Abram Cowley pointed out two centuries ago, though I believe he had a different sort of honey in mind. A writer somewhat more esteemed recorded in the first part of "King Henry IV," "They surfeited with honey, and began to loathe the taste of sweetness, whereof a lit-

erally ate beeswax too. I never

noticed that beeswax added any flavor to honey and I doubt if it added nourishment either, but the Encyclopaedia Britannica contradicts me on the first point, and I am not sure whether it does or not on the second. "Beeswax is a yellowish solid of agreeable, somewhat honeylike odor and of a faint balsamic taste," it says, but I am unable to determine whether it offers anything to human chemistry from a second bit of information: "Beeswax consists chiefly of free cerotic acid and myricin (Myricyl

palmitate), with small quantities of other fatty acids, and alcohols and about 10 percent of hydrocarbons."

It is possible that the trouble with the combless honey was not that something had been taken out, but that something had been put in. The suspicion has been voiced that one reason why honey producers shifted from selling it in the comb to selling it in jars was that honey in the comb is not easy to adulterate. Once it has been extracted it is a simple matter to alter the resulting liquid and increase its salable volume by stretching less expensive honey. A less mercenary influence may have been the improvement of jars and of the methods of filling them. The demand for combless honey petered out after World War I, partly, perhaps, because the laws which protected consumers against adulteration were being enforced with increasing efficiency, so that combless honey improved in quality.

As for the Bible, it is as thick with honeycomb as Caliban. When the resurrected Christ appeared at Emmaus, according to St. Luke (24:42), "And he gave him a piece of a broiled fish, and of an honeycomb." A comparison in Psalm 19:9-10 rates it high indeed: "The judgments of the Lord are true and righteous altogether. More to be desired are thy laws, yea, than gold fine gold: sweeter also than honey and the honeycomb."

The honeycomb appears also in more dubious contexts, for instance in Proverbs 5:3-4: "For the lips of a strange woman drop as an honeycomb, and her mouth is smoother than oil: But her end is a twodged sword."

This is tangential to a whole category of uses of the word "honey" in literature, usually expressed more subtly than by Albert H. Fitch when he wrote, "You are my honey, honey-suckle, I am the bee." But this transcends the domain of gastronomy, and therefore does not concern us here. Besides many connoisseurs of this type of honey hold that it is better out of the comb. The judgements of the Lord are true and righteous altogether. More to be desired are thy laws, yea, than gold fine gold: sweeter also than honey and the honeycomb."

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WEDNESDAY, NOVEMBER 3, 1982

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BUSINESS BRIEFS

Philips Buys Stake in Appliance Firm

EINDHOVEN, The Netherlands — N.V. Philips said Tuesday that it has acquired a minority interest in the household appliances activities of West Germany's Bauknecht group.

The agreement involves setting up two companies in which banks and other financial institutions will hold the majority interest. One of the new companies, Bauknecht Haushaltsgeräte GMBH, will handle German operations from its base in Stuttgart. The other, Bauknecht Holding BV of Oosterhout in the Netherlands, will control activities elsewhere in Europe.

A Philips spokesman declined to disclose the value of the transaction or specify which banks and financial institutions hold the majority stake in the new companies. He said Philips will gradually acquire a majority interest in both companies.

Japan's Shipbuilding Orders Plunge

TOKYO — Orders received by Japanese shipbuilders in the first half of the year ending March 31 declined 60 percent from the level of a year earlier to 1.95 million gross tons, the Transport Ministry announced Tuesday.

The orders for the April-September period were valued at 464.2 billion yen (\$1.68 billion), down 34 percent from a year earlier, the announcement said. The decline was attributed to the worldwide shipping slump.

Deutsch Texaco to Drill in Baltic

WHITE PLAINS, New York — Texaco said Tuesday that its West German subsidiary plans to drill for oil in the Baltic Sea at a cost of \$148 million.

Texaco said that Deutsch Texaco, which shares the Schwedeneck See field with Wintershall of West Germany, will install two permanent platforms in the area and drill 14 wells. Production is expected to start in late 1984.

The field was discovered four years ago and lies about 5,000 feet (1,500 meters) beneath the seabed.

Trafalgar Housing Assets Health

HONG KONG — Trafalgar Housing Ltd.'s financial position remains strong, group chairman Wo Ching said in a statement Tuesday.

Mr. Wo said the company's majority shareholder, Central Enterprise Ltd., continues to record initial project costs on its own books, which largely insulates Trafalgar from the risks of development. He said Trafalgar's diversified nature will prevent it from over-dependence on the property market.

Some Hong Kong property companies recently have reported liquidity problems caused largely by a fall in real estate prices.

Thyssen Cuts Workweeks of 3,800

DUISBURG — Thyssen AG put 3,800 more workers on reduced workweeks this month to bring the company's total number of workers with that to 18,866, a company spokesman said Tuesday.

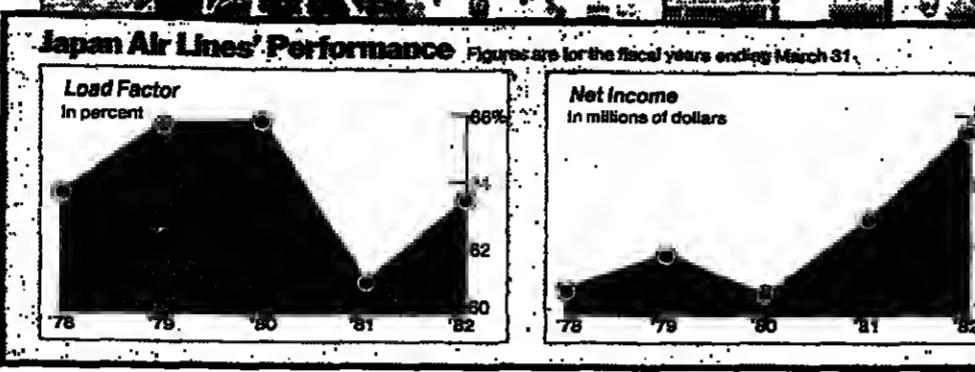
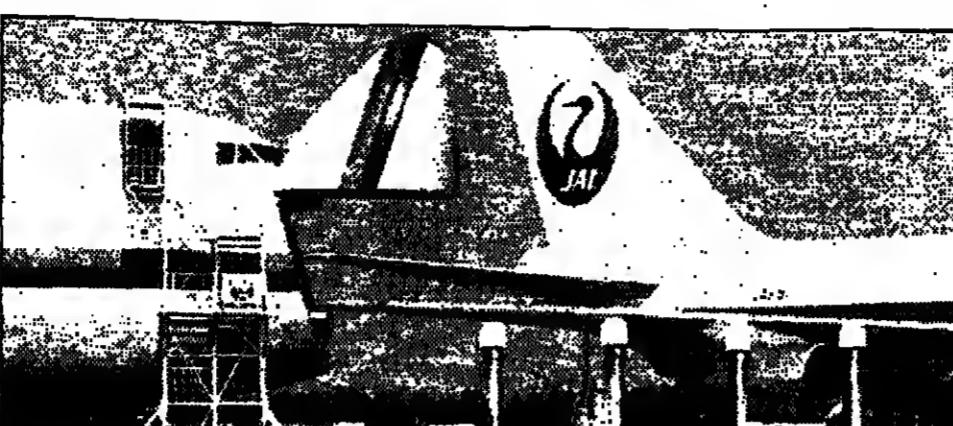
Most workers affected at the plants in the Duisburg area will have a workweek of between 14 and 36 hours, he said. Thyssen has a total workforce of more than 34,000.

Honeywell to Reduce Staff by 1,850

MINNEAPOLIS — Honeywell said Tuesday that its information systems business will reduce its work force by about 1,850 by Dec. 2 in an attempt to improve its "competitive position in the market."

The diversified computer maker said reductions will be achieved through a combination of layoffs, early retirements and transfers. Honeywell said affected employees will receive financial aid based on years of service.

Compiled by Our Staff From Dispatches



JAL Seeks Own Fuel Supply As Weak Yen Bloats Prices

By Pamela G. Hollic
New York Times Service

TOKYO — Every time the U.S. dollar rises by 10 yen, the fuel bill for Japan Air Lines increases \$20 million a year because the fuel is priced in dollars.

Thus, the slumping yen — at the time of a decline in worldwide air traffic and a poor performance in Japan — has made the carrier extremely cost-conscious.

The airline, which is the third-largest carrier internationally after Pan American and British Airways, earned the equivalent of \$23.9 million in the fiscal year ended in March on revenue of \$3.14 billion.

Since then, the yen has declined 13 percent against the dollar, and in the first five months of the new fiscal year, the airline had losses of \$12 million. Airline executives say an improvement in profits depends on oil savings.

In 1960, nine years after the company was formed, aircraft fuel costs accounted for just 15 percent of the company's expenses. In 1970 fuel expenses had dropped to 10 percent.

But 10 years later, after sharp increases in oil prices, fuel accounted for 32 percent of expenses.

To reduce its \$880-million annual fuel bill, the airline has left few avenues unexplored. It even reduced the weight of its in-flight magazine.

The airline, which is 37.7 percent owned by the Japanese government, has decided to conduct its own search for fuel supplies. It is scheduled to announce

the formation of a subsidiary, the Pacific Fuel Trading Corp., in Los Angeles. It will have storage facilities in San Francisco and plans to expand to Kennedy International Airport in July and to Los Angeles International Airport by 1984.

"Initially, we will sell fuel to Japan Air only, but in the future we may service other airlines," said Kazuro Aoyama, assistant director of the airline's fuel department.

The move is part of a trend among airlines to eliminate uncertainty about supplies. JAL last year joined a group in Anchorage, Alaska, where 16 airlines own a dock and pipeline and a storage facility for 22 million gallons (\$3.6 million liters) of jet fuel.

"If we buy bulk fuel, we are able to reduce fuel costs," said Hiroaki Yano, vice president of the new subsidiary.

The subsidiary's first facility is small, 2.1 million gallons. Initially, it will service only the airline's freight carriers. But it will allow JAL to enter into the U.S. oil market and give it an opportunity to establish itself as a buyer of jet fuel. For now, 90 percent of the fuel will be bought under contract.

Efficient operations are important as the airline expands in the United States. Under a recent agreement between Japan and the United States, JAL will fly passengers to nine U.S. points, instead of seven. It will begin flying in April to the new destinations, Seattle and Chicago. In exchange, United Airlines

(Continued on Page 15, Col. 6)

Swiss Investor Asks Costa Rican Bond Default

Reuters
GENEVA — A Swiss investor has taken legal action to have Costa Rica formally declared in default on a bond issue, a move that could spark similar actions elsewhere.

Banque Gutwiler, Kurz, Ltd., said Tuesday the investor had asked a Geneva court to declare Costa Rica in default on a bond issue totaling 20 million Swiss francs (\$9 million) that the country had issued in October 1981.

While legal experts said it would be some time before the court proceedings are completed, such a move has long been feared by

some in the international banking community because the bond is in bearer form.

Costa Rica, which has been negotiating the rescheduling of about \$1 billion of its foreign debt — banks loans and bonds — because of a prolonged slump in coffee exports, has paid out only interest on the bond since October 1981. Arrears total 2.1 million francs (\$960,000).

While legal experts said it would be some time before the court proceedings are completed, such a move has long been feared by

some in the international banking community because it could trigger similar claims by other lenders under cross-default clauses.

Nearly all international loans and bond issues have stipulations that lenders should be treated equally, so that if one gets a court judgment that the borrower is in default, then the rest are entitled to the same claim.

Bankers said they were optimistic that a rescheduling could be worked out by the end of the year with Costa Rica, which has total

foreign debt of more than \$3.5 billion.

With more than \$500 billion in debt, many Third World and Eastern Bloc countries have been unable to keep up their repayment schedules and have been forced to ask for postponement of both interest and principal falling due.

What makes Costa Rica different is that while the other rescheduling have concerned bank loans, Costa Rica's rescheduling talks have involved both loans and, for the first time, sovereign bonds.

Major banks have avoided forcing debtor countries into formal default, mainly for fear that they might not recover much of the money if a country decided it was cheaper to fight it out in the courts rather than pay up.

This would leave the creditors with few real options other than seizing a debtor country's assets held abroad, such as ships and planes, which in most cases would be insignificant when set against the size of the loans.

But banking sources said there are constant fears that some smaller banks or lenders that joined in the syndicates that provided the funds may run out of patience and demand repayment.

Markets Closed

Financial markets were closed Tuesday in France and Luxembourg for a holiday. New York's Federal Reserve and most commodity markets were closed in the United States for the election.

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CURRENCY RATES

		Interbank exchange rates for Nov. 2, excluding bank service charges.					
		U.S.	DM	FF.	LL.	GBP.	SL.
Amsterdam	2,767.5	4,659	106.63	13.67	1,195	1,792	22,448
Brisbane (4)	4,228	6,222	19,341	2.00	1,792	2,025	5,515
Buenos Aires	2,767.5	4,659	106.63	13.67	1,195	1,792	22,448
Caracas	2,767.5	4,659	106.63	13.67	1,195	1,792	22,448
Edmonton (2)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (3)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (4)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (5)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (6)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (7)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (8)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (9)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (10)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (11)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (12)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (13)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (14)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (15)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (16)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (17)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (18)	1,493	2,725	12.22	1.24	1,744.5	2,025	5,515
Edmonton (19)							

Official Japan Nigerians To Curb Spending

Reuters

LAGOS — President Shehu Shagari of Nigeria on Wednesday is to announce his government's 1983 budget, and economic analysts are predicting that it will be the most stringent in recent years.

A senior economic adviser to the president, Emmanuel Edozien, has indicated that the budget could include plans for more overseas borrowing by the government and a further delay in the start of at least one major development program.

Mr. Edozien, speaking in London last week, gave no specific figures to show what the government might need to borrow to cover foreign exchange shortages, but he said a \$2.5-billion rail project will be delayed because of short-term cash flow problems.

The railroad is intended to link Port Harcourt with a major steel plant under construction at Ajaokuta on the Niger River 250 miles (400 kilometers) to the north. The plant is considered vital in the development of an industrial base in Nigeria.

The suspension of the project reflects the economic crisis the government has been facing this year. In April it was forced to impose drastic controls on imports after oil production slumped from a peak two years ago of about 2 million barrels a day to less than 700,000 at one point in March. That left a foreign trade deficit of about \$1 billion a month.

Nigeria is dependent on crude oil exports for about 95 percent of its foreign exchange. Official sources said the budget for the financial year starting in January will be based on the assumption that oil output will be 1 million barrels a day.

Production has recovered since March. For the last few months it has been averaging close to the ceiling of 1.3 million barrels a day that the Organization of Petroleum Exporting Countries set.

Industry sources predict that Nigeria will have averaged nearly 1.5 million barrels a day in October and say that November output is likely to be about the same level.

But the sources said the government is feeling uncertain about making a prediction of its income for all of next year at a time when production prospects are difficult to assess.

Because of that difficulty, the sources said, the government is expected to be cautious in estimating its income for the new year. By using what it considers the lowest likely production figure, it hopes to give itself some leeway on the budget, they said.

Last year's budget was 11.5 billion naira (\$16.8 billion).

Futures Debacle Exposes Outdated Strategy

By H. J. Maidenberg
New York Times Service

NEW YORK — Spreading may be the most conservative form of futures trading, but a recent costly debacle in London illustrated that it takes more than a knowledge of computer programming to make these spreads pay off. It also takes a fundamental knowledge of how a particular market works and, more important, how markets can change overnight and make time-honored trading strategies outmoded in that time.

The debacle gained notoriety in the British press as customers of a London branch of Prudential-Bache Securities told stories of losing large sums after following their brokers' advice and spreading Treasury bond and Government National Mortgage Association certificate futures in Chicago.

Essentially, the spread they ascribed to brokers told them would pay off handsomely involved simultaneously selling short Treasury bonds and buying Ginnie Mae futures. Aside from the fact that the initial cash margin and the brokerage commission would be roughly half that required in two "straight" deals, the spread was said to have much to recommend it.

For one thing, the brokers reportedly said, interest rates were falling and thus both the Treasury bonds and Ginnie Mae futures should rise in value. Falling interest rates always make existing yields more attractive, just as rising yields make older and lower-yielding securities less desirable. Because Ginnie Mae futures were selling well below Treasury bonds, they would rise faster — so the sales pitch went.

What happened, however, was that the

steep decline in interest rates in recent months sent Treasury bond futures soaring, while Ginnie Mae moved up only modestly. Since Sept. 1, for example, the December Ginnie Mae futures rose to 69% from 64, while the same Treasury bond futures jumped to 76% from 66. Each 1/32 point represents \$31.25 on a contract of \$100,000 face value.

Thus the Treasury bonds that were sold short lost about \$10,531 in this period while the Ginnie Mae leg of the spread gained only \$5,240, which meant a loss of more than \$5,291 on each spread, not counting commissions.

"What obviously went wrong was that the computers were spewing out outdated historic programs based on the former price relationships between the T-bonds and Ginnie Maes," said David J. Vogel, senior vice president and manager of the interest rates futures department at Thomson McKinnon Securities. "A very long time ago in this business, I say the summer of 1981, the prices of both were still perhaps two points apart; a week ago, for example, it was nine points, and is now about seven points. That should have told everyone that the relationship between T-bonds and Ginnie Maes was changing radically."

But the major error was somewhat more complex, Mr. Vogel said. "To put it simply, it resulted from basic misconceptions concerning how the two fixed-income securities would behave during an unusual period of declining interest rates."

Although the drop in rates raised the premium on Ginnie Maes in the cash market, it was meaningless as far as futures were

concerned because the premium in effect evaporates at delivery time, he said.

Those who deliver the physical Ginnie Mae certificates, which are actually baskets of mortgages guaranteed by the U.S. Veterans Administration or the Federal Housing Administration, invariably deliver the cheapest ones. All that matters is that the short seller deliver certificates with a face value of \$100,000 that carry 8 percent coupons — the futures contract specification — regardless of whether the actual instruments were selling at a premium or discount to face value.

Because the average life of a mortgage is 12.5 years, many Ginnie Mae certificates carry much higher coupons, Mr. Vogel noted.

"That is why those who sell the futures short have been happy to deliver the actual paper rather than buy out of their positions," he said. "The shorts hold over the cheapest paper they can find and the futures market knows this and contract prices are adjusted accordingly."

That is also why, despite the large premiums that have grown on Ginnie Maes since it began to drop, their futures prices have not risen very much.

As for Treasury bond futures, they also reflect the increased premiums on the underlying securities. But, Mr. Vogel added, they are, among other things, more permanent debt instruments. Those who sell the bond futures short cannot deliver cheaper paper from the cash market. Cash and futures prices of Treasury bonds are very closely related.

Those who sell Treasury bond futures short may deliver matures and couponed issues that differ from the contract specification — 20-year, 8-percent bonds with a face value of \$100,000 — by making price adjustments to that standard.

West German VTR Makers Fear a Holiday Price War

By Robert Woodward
Reuters

BONN — The West German videotape recorder market may witness a fiercer price war in the approaching holiday season as the pressure from low-priced imports increases, industry sources say.

The competition from Japanese recorders entered a more severe phase with last week's decision by Horion, a leading department store chain, to sell a Sanyo Beta cassette recorder at less than 1,000 Deutsche marks (\$392).

Both Philips and Grundig, which produce the V-2000 system, say they will keep prices, currently ranging between 1,800 and 3,000 DM, stable in the face of the inexpensive Horion offer. Also pledging to hold the line on prices was Sony Deutschland. Sony developed the Beta system and markets it in West Germany.

Philips, a subsidiary of the Dutch manufacturer, estimates that about 1.5 million Japanese VTRs are stocked in Western European shops, excluding those already in stores, and says 900,000 more are on their way to Western European ports.

The Japanese Electronics Industry Association said last week that video recorder exports to the EC in September rose 85 percent from a year earlier to 303,000 units.

The West German industry believes consumers have become

more quality conscious since the initial surge of interest in video recorders and hopes that the expected one million units sold this year will be higher quality products.

The system offered by Horion contains few extras West German producers say, adding that a profit is impossible at such a low price.

But high unemployment and the economic downturn may mean price will become the most important purchasing factor. Grundig said the V-2000's market share has been cut by imports.

A spokesman for Philips said that if the present situation on the West German market continues, that about 1.5 million Japanese VTRs are stocked in Western European shops, excluding those already in stores, and says 900,000 more are on their way to Western European ports.

The Japanese Electronics Industry Association said last week that video recorder exports to the EC in September rose 85 percent from a year earlier to 303,000 units.

Mexico Seen Pressing Price Fight With OPEC

By Walker Simon
Reuters

Continued from Page 13)

and Continental Airlines get new

Tuesday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

13 Month
High Low Stock Div. Yld. P/E 35s
Close Prev
12 Month
High Low Stock Div. Yld. P/E 35s
Close Prev
(Continued from Page 14)

Stock	Div.	Yld.	P/E	35s	High	Low	Close	Prev
224 24% Scherf	1/2	4.2	11.00	100	100	97	97	97
241 24% Scherf	1/2	4.2	11.00	100	100	97	97	97
247 24% Scherf	1/2	4.2	11.00	100	100	97	97	97
250 24% Scherf	1/2	4.2	11.00	100	100	97	97	97
254 16% Soco	1/2	1.5	10.00	225	245	214	214	214
255 16% Soco	1/2	1.5	10.00	225	245	214	214	214
256 16% Soco	1/2	1.5	10.00	225	245	214	214	214
257 16% Soco	1/2	1.5	10.00	225	245	214	214	214
258 16% Soco	1/2	1.5	10.00	225	245	214	214	214
259 16% Soco	1/2	1.5	10.00	225	245	214	214	214
260 16% Soco	1/2	1.5	10.00	225	245	214	214	214
261 16% Soco	1/2	1.5	10.00	225	245	214	214	214
262 16% Soco	1/2	1.5	10.00	225	245	214	214	214
263 16% Soco	1/2	1.5	10.00	225	245	214	214	214
264 16% Soco	1/2	1.5	10.00	225	245	214	214	214
265 16% Soco	1/2	1.5	10.00	225	245	214	214	214
266 16% Soco	1/2	1.5	10.00	225	245	214	214	214
267 16% Soco	1/2	1.5	10.00	225	245	214	214	214
268 16% Soco	1/2	1.5	10.00	225	245	214	214	214
269 16% Soco	1/2	1.5	10.00	225	245	214	214	214
270 16% Soco	1/2	1.5	10.00	225	245	214	214	214
271 16% Soco	1/2	1.5	10.00	225	245	214	214	214
272 16% Soco	1/2	1.5	10.00	225	245	214	214	214
273 16% Soco	1/2	1.5	10.00	225	245	214	214	214
274 16% Soco	1/2	1.5	10.00	225	245	214	214	214
275 16% Soco	1/2	1.5	10.00	225	245	214	214	214
276 16% Soco	1/2	1.5	10.00	225	245	214	214	214
277 16% Soco	1/2	1.5	10.00	225	245	214	214	214
278 16% Soco	1/2	1.5	10.00	225	245	214	214	214
279 16% Soco	1/2	1.5	10.00	225	245	214	214	214
280 16% Soco	1/2	1.5	10.00	225	245	214	214	214
281 16% Soco	1/2	1.5	10.00	225	245	214	214	214
282 16% Soco	1/2	1.5	10.00	225	245	214	214	214
283 16% Soco	1/2	1.5	10.00	225	245	214	214	214
284 16% Soco	1/2	1.5	10.00	225	245	214	214	214
285 16% Soco	1/2	1.5	10.00	225	245	214	214	214
286 16% Soco	1/2	1.5	10.00	225	245	214	214	214
287 16% Soco	1/2	1.5	10.00	225	245	214	214	214
288 16% Soco	1/2	1.5	10.00	225	245	214	214	214
289 16% Soco	1/2	1.5	10.00	225	245	214	214	214
290 16% Soco	1/2	1.5	10.00	225	245	214	214	214
291 16% Soco	1/2	1.5	10.00	225	245	214	214	214
292 16% Soco	1/2	1.5	10.00	225	245	214	214	214
293 16% Soco	1/2	1.5	10.00	225	245	214	214	214
294 16% Soco	1/2	1.5	10.00	225	245	214	214	214
295 16% Soco	1/2	1.5	10.00	225	245	214	214	214
296 16% Soco	1/2	1.5	10.00	225	245	214	214	214
297 16% Soco	1/2	1.5	10.00	225	245	214	214	214
298 16% Soco	1/2	1.5	10.00	225	245	214	214	214
299 16% Soco	1/2	1.5	10.00	225	245	214	214	214
300 16% Soco	1/2	1.5	10.00	225	245	214	214	214
301 16% Soco	1/2	1.5	10.00	225	245	214	214	214
302 16% Soco	1/2	1.5	10.00	225	245	214	214	214
303 16% Soco	1/2	1.5	10.00	225	245	214	214	214
304 16% Soco	1/2	1.5	10.00	225	245	214	214	214
305 16% Soco	1/2	1.5	10.00	225	245	214	214	214
306 16% Soco	1/2	1.5	10.00	225	245	214	214	214
307 16% Soco	1/2	1.5	10.00	225	245	214	214	214
308 16% Soco	1/2	1.5	10.00	225	245	214	214	214
309 16% Soco	1/2	1.5	10.00	225	245	214	214	214
310 16% Soco	1/2	1.5	10.00	225	245	214	214	214
311 16% Soco	1/2	1.5	10.00	225	245	214	214	214
312 16% Soco	1/2	1.5	10.00	225	245	214	214	214
313 16% Soco	1/2	1.5	10.00	225	245	214	214	214
314 16% Soco	1/2	1.5	10.00	225	245	214	214	214
315 16% Soco	1/2	1.5	10.00	225	245	214	214	214
316 16% Soco	1/2	1.5	10.00	225	245	214	214	214
317 16% Soco	1/2	1.5	10.00	225	245	214	214	214
318 16% Soco	1/2	1.5	10.00	225	245	214	214	214
319 16% Soco	1/2	1.5	10.00	225	245	214	214	214
320 16% Soco	1/2	1.5	10.00	225	245	214	214	214
321 16% Soco	1/2	1.5	10.00	225	245	214	214	214
322 16% Soco	1/2	1.5	10.00	225	245	214	214	214
323 16% Soco	1/2	1.5	10.00	225	245	214	214	214
324 16% Soco	1/2	1.5	10.00	225	245	214	214	214
325 16% Soco	1/2	1.5	10.00	225	245	214	214	214
326 16% Soco	1/2	1.5	10.00	225	245	214	214	214
327 16% Soco	1/2	1.5	10.00	225	245	214	214	214
328 16% Soco	1/2	1.5	10.00	225	245	214	214	214
329 16% Soco	1/2	1.5	10.00	225	245	214	214	214
330 16% Soco	1/2	1.5	10.00	225	245	214	214	214
331 16% Soco	1/2	1.5	10.00	225	245	214	214	214
332 16% Soco	1/2	1.5	10.00	225	245	214	214	214
333 16% Soco	1/2	1.5	10.00	225	245	214	214	214
334 16% Soco	1/2	1.5	10.00	225	245	214	214	214
335 16% Soco	1/2	1.5	10.00	225	245	214	214	2

SPORTS

Major League Owners Fire Commissioner Kuhn

By Thomas Boswell
Washington Post Service

CHICAGO — Abner Doubleday, some say, invented baseball. His great-great-grandnephew, Nelson Doubleday, fired a commissioner Monday, many will say, and thus threw the old game into disarray.

Doubleday, owner of the New York Mets, emerged as the central figure in a National League coup that ousted Bowie Kuhn from office after nearly 14 years as the sport's commissioner.

In the vast Rosemont Ballroom of the Hyatt Regency Hotel, baseball's 26 owners sat and voted on a last-ditch compromise proposal to give Kuhn a three-year contract extension.

The vote was 7-5 in the National League and 11-3 in the American — both in favor of Kuhn. But re-election requires 10 yes votes in the American and nine in the National.

"After 14 years, I got 70 percent of the vote. Most places, that's a landslide," said a "keenly disappointed" Kuhn, who will serve out the remainder of his lame-duck term until Aug. 13, 1983.

Kuhn's majority of supporters

were in a barely disguised fury; the five National and three American League clubs that voted against him — New York, St. Louis, Houston, Atlanta and Cincinnati in the National and New York, Texas and Seattle in the American — were loath to gloat over a victory that may have bitter repercussions for years.

"No self-respecting man would accept this job after the abuse Bowie Kuhn has taken," said California Angel President Buzzy Bavasi. "For the last 50 years in baseball, our own worst enemies have been ourselves. We can't solve our problems with our present mode of voting."

"We are victims of a system

where four people can dictate to 22 — it's chaos," said Chicago White Sox President Eddie Einhorn. "Some people in baseball thrive on the anarchy of the game as it now exists."

"This fight started as a debate over the nature of the commissioner's office; then it became an issue of the man in the office.... Once we got into that room, it was just a motion, a vote, and, man, it was all over."

Kuhn outlined how a compromise had failed. He and Lou Susman, a St. Louis lawyer, had worked out a scheme that would have created the position of president of baseball, to be filled by a business executive. All baseball department heads would have reported to the president, who would have reported to Kuhn: the commissioner, in turn, would have been answerable to the sport's 10-man executive council.

Susman then went to Doubleday, with whom he had a pact to act in concert. Susman went back to his allies," said Kuhn, "but he couldn't convince them to accept the compromise."

According to sources, Houston owner John McMullen was instrumental in convincing Doubleday not to support Kuhn. "Everybody knows where we stand. We haven't changed," said Doubleday before the final meeting. "No one has changed."

Baseball's hierarchy, its basic structure, its direction for the rest of the 1980s, could hardly be in a more complete state of confusion. Asked if the sport may soon find such issues as restructuring and the commissionership thrown into indefinite limbo, Kuhn said: "Given our problems, there is a real chance of it.... How do we get out of the whirlpool we're in?"

"Hopefully, the game will be better for this," said Doubleday, the inheritor of a publishing for-

tune, as he left Chicago for vacation in Europe. "We need to decide on a commissioner first. A lot will depend on who that is. Restructuring will have to wait until all this is cleared up."

"I don't know who'd take the job," said Montreal Expos President John McHale, one of the few men so far mentioned to succeed Kuhn. "You wouldn't believe some of the crazy reasons that were given for voting against him — his opening the spring training camps in '76, the split season, voiding trades.... It was like every tough decision he ever made, they put a black mark by his name."

"After you've sat in those meetings and heard the reasons that were given, it's enough to scare away anybody."

Yankee owner George Steinbrenner disagreed, saying, "Baseball's a resilient game. It will survive all of this. No one can tell me that there isn't someone out there in this great country of ours who can be commissioner of baseball."

How can baseball arrive at any new system of voting when the anti-Kuhn forces are afraid that any change in the parliamentary rules might open the way for Kuhn's return?

"In one meeting, I asked, kind of sarcastically, 'What is the voting going to be on the new voting?'" said Chicago's Einhorn. "I think it's just going to be the old voting.... The whole point is that the system we have now lends itself to special-interest voting. All I've seen since I've been in this game is special-interest deals."

Kuhn supporters already are talking revenge. "It's going to be interesting to see how vindictive some people are," said one pro-Kuhn owner.

For that matter, no one can say for certain that Kuhn won't still rise from the dead and remain commissioner after next summer. "We've just rejected the guy who has probably done more for the game than any other commissioner," said McHale.

Asked if he could be drafted to



The Associated Press

Bowie Kuhn

Seventy percent of the vote: 'How do we get out of the whirlpool we're in?'

"There's time between now and August," said McHale's McHale. "I would not say that Kuhn's time as commissioner is necessarily over. A lot of things can happen in nine months. Votes change."

As a bizarre twist, if baseball has made no progress toward finding a new commissioner by Aug. 13, then the sport's executive council must name an interim commissioner. And the council is exactly the heavily pro-Kuhn body that Kuhn said Monday, implored him to stay on the job.

"What we have is a small group of owners that favors extreme laissez-faire. There are some clubs that just don't want any restrictions or discipline. They seem to work on the theory that it'll all work out in the end."

"Some of us are afraid it's not that easy."

come back, Kuhn said. "I would consider it. I'm not sure I would take it."

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"Some of us are afraid it's not that easy."

So far it hasn't been, and Walton is taking great care to see that it doesn't return.

"I don't try plays I can't make," he said. "The only real playing concern is not to sprain an ankle, not to weaken anything in the chain."

Walton began turning up in gyms. He practiced, but only under the supervision of doctors who tempered his enthusiasm.

"The biggest thing I have to fight against is the temptation to speed up," said Walton. "I'd love to play every day. When I look back, I think I've been my biggest enemy. I think I've tried to play in the past before I was physically ready. This time I'm not allowing myself to control the timetable. Tony is calling the shots."

Not playing pains him, but not as much as playing in pain. Walton has drawn on his personal history to leave American sports two thoughts worth contemplating:

• Minor surgery is when it's to the other guy.

• I've never heard athletes as proud of playing with pain as sportswriters are.

"Pain must be a relative thing," he said. "Am I in pain now? Does the foot hurt? I don't think so. When you consider the amount of pain I've been in before, oo, the foot doesn't hurt."

"I don't have any fears about getting hurt in a game. When I wake in the morning, though, it's always among my first thoughts: Will the pain be back?"

"I'm not sitting around thinking about basketball."

"If I could play full-time, I might agree that being away like this wouldn't be constructive," Walton said. "But I can't play full-time now. The club knows this. My teammates know this. I think returning to school has helped me."

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NBA's Walton Hits the Comeback Trail Again — Part-Time

New York Times Service

SAN DIEGO — Most basketball careers are measured by statistics, some by championships and a few by million-dollar contracts. Bill Walton's has been measured by injuries and comebacks.

The latest comeback officially began Friday night, when the 6-foot-11-inch center played in his first National Basketball Association game in nearly three years.

Walton played 28 minutes for the San Diego Clippers. He hit nine of 15 shots from the field, pulled in nine rebounds, drew five fouls and scored 20 points.

It was not vintage Walton, but it was Walton. Another comeback is unfolding.

"How many does this make?" Walton asked rhetorically. "Three," someone responded.

"You didn't know me in high school or college," said Walton.

As early as the ninth grade, Walton was cautioned by doctors to go easy. At that time his feet could not support his advanced size. At UCLA, his knees were the problem and he was allowed to play only five days a week. Now he's back under another formula: While healing — no one knows how long it will take — he will be playing once every five days.

Walton wants to play, but he doesn't have to. His five-year, \$1.7-million contract with the Clippers is guaranteed by Lloyd's of London.

Walton was traded to San Diego by Portland in 1979, two years after

he had led the Trail Blazers to the NBA title. When the avicular bone snapped in his left foot 14 games into the 1979-80 season, Walton could have said goodbye to basketball and limped away a rich man. He thought he had.

"I thought it was over," he said recently. "Knees, ankles, feet — nothing seemed to be working. Nothing was getting better. You only have so many seasons. I had lost one before this.... There comes a time when there are no seasons left."

"So I had no control over basketball. I tried to put it out of my mind and concentrate on other things, like law school and the family. I sort of hid from basketball. I wanted to play so much, but it hurts to be so close. You start facing facts. Dreams become remote. You go on to other things. You do that or go crazy."

In 1980, with his basketball future ever dimmer, Walton sought an answer that would allow him to walk without pain more than a quick cure to get back to the basketball court. He turned to his longtime personal physician, Dr. Tony Daly, an orthopedic specialist from Los Angeles.

"There was never a big injury item," said Walton. "That's what made it doubly tough. You'd think, 'OK, if we get over this... But there was always the next time.'

Daly did more surgery, but he never spoke of basketball. He kept Walton on the foot for half a year. Then he put him on progressive

therapy that took a year. As the months wore on, Walton began thinking about playing again.

"Everything about the foot is different," he said. "Tony rebuilt it

so that it strikes the ground differently. It does things it didn't used to do when I land and push off."

"The middle of the foot is restructured. It doesn't sound like much, but it's the world to me. About eight months ago, I felt as well as I ever had. My thoughts turned to the game."

Walton began turning up in gyms. He practiced, but only under the supervision of doctors who tempered his enthusiasm.

"The biggest thing I have to fight against is the temptation to speed up," said Walton. "I'd love to play every day. When I look back, I think I've been my biggest enemy. I think I've tried to play in the past before I was physically ready. This time I'm not allowing myself to control the timetable. Tony is calling the shots."

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Murphy, Yount Top TSN Picks

The Associated Press

ST. LOUIS — The Sporting News has named Atlanta Braves centerfielder Dale Murphy and shortstop Robin Yount of the Milwaukee Brewers as its National and American League players of the year. The newspaper also announced late Monday that Philadelphia's Steve Carlton (23-11) and Toronto's Dave Stieb (11-11) had been selected pitchers of the year.

Other National League All-Stars were first baseman Al Oliver, catcher Gary Carter and right-handed pitcher Steve Rogers of Montreal, second baseman Manny Trillo and third baseman Mike Schmidt of Philadelphia, shortstop Ozzie Smith and outfielder Lou Whitaker of St. Louis and right fielder Pedro Guerrero of Los Angeles.

Other American League selections were first baseman Cecil Cooper and center fielder Gorman Thomas of Milwaukee, second baseman Damaso Garcia of Toronto, third baseman Doug Drabek of Cleveland, shortstop Mike Schmidt of Philadelphia, shortstop Ozzie Smith and outfielder Lou Whitaker of St. Louis and right fielder Pedro Guerrero of Los Angeles.

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Reagans Invite Orphan

Anita Asto, a 3-year-old Peruvian orphan who came to Boston for life-saving heart surgery, has been invited to the White House. Anita and Robert and Diane Ulchak, the Quincy, Massachusetts couple who are trying to adopt her, were asked to be the guests of President Ronald Reagan and his wife, Nancy, on Nov. 9. That night, the parents will attend a state dinner for President Fernando Belaúnde of Peru and his wife. The Ulchaks have appealed to Mrs. Belaúnde for help in speeding the adoption of Anita. The couple also adopted a 17-month-old boy, John Paul, from the Lima orphanage, where they met Anita. Anita was born with a heart defect, and the Sept. 9 surgery increased the oxygen supply to her blood. She now has better muscle tone and more energy, the Ulchaks said.

in 1926. His works have been translated into many languages and he has won several international literary awards.

Moorhead Kennedy says he and the other Americans held captive in Iran are not worth fighting over. "I heard people say after we were released, 'Let's make 'em sit in a truck into a parking lot.' But we were just 52 people. We weren't worth a war," Kennedy said in Pittsburgh. "For America to be a world leader, we have to display maturity and good sense and not merely use hyperbole and rhetoric," said Kennedy, who was freed with the other hostages Jan. 20, 1981, after 444 days of captivity at the hands of Iranian militants. Kennedy, who turns 52 on Friday, founded the Cathedral Peace Institute in New York a year ago.

Sheikh Mohammed al-Faissal, the billionaire Saudi Arabian who has made a reputation by donating money to U.S. cities, has enraged officials of Miami Beach by building an opulent mansion on Star Island. City Attorney John Ritter said he has started proceedings to place a lien on the sheikh's new estate to pay for restoration of a public park damaged by the sheikh's construction workers. Ritter estimates the damage is \$10,000, caused by 30 heavy trucks used in the mansion's construction. Al-Faissal said he has promised to restore the park, used as a parking lot by the workers, as soon as construction is complete on the estate, which is to include two swimming pools, a 145-foot waterslide, a monorail, shooting gallery, ice-skating rink and private mosque.

But construction on the three-acre estate has been halted by contractors' suing for unpaid bills, and city officials are not satisfied with the sheikh's promise.

The poet and writer Gyula Illyes celebrated his 80th birthday in Budapest. Illyes received one of Hungary's top decorations, the ruby-studded Order of the Banner of the Republic, from the state council for outstanding literary work. The Communist Party newspaper Nepszabadság said in a birthday tribute that it was no secret that it had often had disputes and differences with Illyes. An active Communist from his youth, the writer was later criticized for rightist tendencies and kept a low profile during Stalinist purges in Hungary after World War II. Born into a farm worker's family on the estate of a wealthy aristocrat, Illyes went into voluntary exile in France after World War I, studying at the Sorbonne and returning to Hungary in 1945.

Fame, Pain and Mergers

Mary Cunningham Talks About Her Life in the Spotlight

By Lois Romano

Washington Post Service

NEW YORK — Heads turn, celebrity whiplash. The matre d' at The Four Seasons knows Mary Cunningham by name. Hands tucked into the pockets of her white wool skirt, she strides right past the six businessmen waiting for tables. Waiters serve her a specially prepared salad at her favorite table, on the balcony, away from the commotion.

She says she hates publicity.

"I have my moments when I get down on my knees and say 'Why me, Lord? What did I do?'" she says. "But it's part of living to suffer and part of leadership to be controversial. One lady said to me just recently, 'Mary, just realize, this wouldn't be happening to you if you were a lesser person.'

Mary Cunningham has baffled observers ever since publicity about her relationship with William Agee, chairman of the Bendix Corp., led her to resign a top-level job at that company two years ago. At 29, her corporate comet took a rapid detour off the financial pages and into gossip-column speculation about just what did go on between them outside the Bendix board room.

Nothing, Agee and Cunningham repeatedly said. Four months later Cunningham landed as a vice president for strategic planning of Joseph E. Seagram & Sons Inc. at a salary estimated at more than \$100,000. Later she married Agee. Her personal relationship with Agee developed after she left Bendix, she has said.

Several weeks ago, Cunningham was in the spotlight again — this time both as Agee's wife and a pivotal player in a corporate melodrama of high stakes, private jets, power and romance.

Although she was involved throughout the six-week Bendix effort to take over Martin Marietta, Cunningham did not emerge publicly until the final round of negotiations. She holed up in a room near Marietta's Bethesda, Maryland, headquarters in case her husband wanted her on-the-spot advice. Marietta executives denied reports that Cunningham's presence was a factor in their scrapping the delicate deal.

Agee and Cunningham have



William Agee

said they didn't understand the fuss. But businessmen around the country murmured none too quietly: The Bill and Mary Show is on the road again.

I don't perceive myself that way . . . manipulative and conniving . . . It goes right back to two years ago. That's a manipulative thing — a woman who would sleep her way to the top. She would even use her body to connive a man into giving her something she didn't deserve.

Now, if in the process of how I communicate or conduct myself, people find that so persuasive, I can't do a heck of a lot about that . . . It could be just the sheer sincerity of who I am. And I'm not going to hide my light under a bushel basket either.

It is unclear who first had the idea for Bendix to try to acquire Martin Marietta. Popular wisdom in the business world puts Cunningham behind what was probably the biggest move in her husband's career. "I wouldn't take sole credit for it being my idea," says Cunningham, who agrees that her husband was embarrassed by the episode.

She says she was a full-time, although an "informal" adviser to Agee during the battle — from 6 A.M. meetings at the Helmsley Palace Hotel, a few blocks from her New York office, to after-5 strategy sessions in the Bendix

suite there. The discussions often lasted all night.

"What was I supposed to do? Retire into the bedroom like the dutiful wife?" she asks. Ultimately, Marietta retaliated, and Agee brought in Allied Corp., which bought Bendix in an arrangement with Marietta. Agee's consolation prize is the presidency of Allied, the No. 2 slot.

"This is conservative corporate America, and you don't do anything to make or cause an issue in a sensitive deal like this," says one Agee ally involved in the negotiations. "From that perspective she should not have been there . . . She's a senior executive of another company . . . But she is obviously a great source of strength to him . . . She's a very smart, but puzzling, individual."

Countless pop-psychology theories have been voiced on Cunningham's personality.

"She is so intense, so driven, so possessed," said one of William Agee's longtime friends. "She thinks she's on a mission from God to reform the corporate world and everyone in it." After hearing this remark, Cunningham said, "Please, don't make me come out as a prude again."

Her story is now familiar: Catholic upbringing, Wellesley College, Harvard Business School, Bendix — where she captivated the young chairman with her creativity and tenacity that became the world of two.

Within 18 months, Agee promoted her to vice president for strategic planning with the comment to a meeting of employees, "It is true that we are very close friends and she is a close friend of my family, but that has nothing to do with the way I and others evaluate her performance."

The press went wild, and within two weeks, despite a vote of confidence in the board, Cunningham offered her resignation, which was accepted. Today, she calls that period at Bendix a "circus."

"Our little nest egg," she says.

"It's like describing faith . . . when you talk about love," she says. "I hurt when he hurts, he hurts when I hurt . . . What we have is a beautiful relationship."

It has everything — common faith, common values, professionally shared interests."

all her clothes mail-order; mostly Talbot's and L.L. Bean. No time to shop. She never carries a pocketbook, only a briefcase.

Cunningham sees herself as a victim, a public example of what she says is anti-female bias in corporate America. She refers to the "pain" she has experienced, how she has carried the burden of ugly rumors and innuendos. "I was mentally raped and that is not an overstatement," she says.

There are not a lot of examples of husband-and-wife teams as visible as Bill and I are, and I suspect as prominent as we are in our fields . . . So it means it has the potential for drawing attention . . . I think [Bill] has been through a burn rap . . . He needs to be above it all. He can't afford to be defensive . . . He's had a very, very unfair experience in the way that thing was portrayed.

Ever since Cunningham arrived at Bendix to be Agee's executive assistant in 1979, their relationship has perplexed observers. She immediately became his confidante and adviser, and he became her mentor. Many said she exerted a surprising influence over him. Says one executive who worked with Cunningham at Bendix: "You couldn't get to Bill without going through Mary . . . She might have taken her access and power too seriously . . . You have to be careful not to confuse yourself with the chairman in a job like that . . . She used 'we' in a way that was not smart."

Cunningham describes their relationship as one of deep mutual respect and a friendship that grew into something else. They are a team, she says. They have even incorporated in Delaware. She is the president and he is the chairman of the dummy firm called Seamer, which is Latin for "always."

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Agee converted to Catholicism and had his 23-year marriage annulled, rather than divorce, so that the two could be married in the Roman Catholic Church. Cunningham also had her previous marriage annulled.



Mary Cunningham

That is why Cunningham sees nothing unusual about her presence at the Bendix-Marietta negotiations. "As the wife of William Agee, who is making one of the most significant business decisions of his career, that I have unique expertise and knowledge of — why shouldn't I be available as an adviser?"

So she is told, she is having it both ways — wife and expert.

"Yeah. That's exactly right."

Perhaps the key to understanding Mary Cunningham is to understand an old-fashioned approach to Catholicism and destiny, which puts a premium on suffering to save the world. In an interview with Parade magazine, she talked about being enlightened at St. Patrick's Cathedral.

"There's a replica of the Pietà,

and I looked at the face of Virgin Mary, and I saw the incredible pain as she held her son, who had been through the ultimate embarrassment, the ultimate in being betrayed by everybody," she told the magazine. "All I could think of was a sense of identification with the pain and, knowing how much Christ loved her . . . Who was I to be upset about the pain that had come into my life? And how much he must love me to make me go through that."

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Agee and Cunningham retained a lawyer, John J. Walsh, to "examine things written about them," Walsh says. "We are interested in better and more balanced coverage."

Cunningham was hired by Seagram's to consolidate and formulate a strategy for its diversified wine business. She was later promoted to executive vice president, planning, for The Seagram Wine Companies.

It has been suggested by other Seagram's executives that one reason she was brought into the company may have been to raise its profile. "After all, every time there's a story on Mary, Seagram's gets mentioned," says one Seagram's executive.

Agee and Cunningham have a lifestyle not unlike many other dual-city career couples. They own a town house in Detroit, where Bendix is based, and rent a suite at the Helmsley Palace in New York. She goes to Detroit every weekend, and he arranges his schedule so they often meet in New York during the week.

She says she would like to have children someday and she would like to settle in one place soon. "I don't know where that will be though," she says. "We have to wait and see. After all, we could be moving to Morristown, N.J." Allied Corp. has its headquarters in Morristown.

Russell Baker is on vacation.

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